| | | | | | |
|---|---|---|---|---|---|
| Austria | Sch24 | Iran | Rls218 | Pakistan | Rs35 |
| Bahrain | Din0.700 | Israel | Shk3.50 | Philippines | Pso40 |
| Belgium | BFr55 | Italy | L2000 | Poland | Zl 9,000 |
| Cyprus | C£0.99 | Jordan | JD1 | Portugal | Es165 |
| Denmark | DKr12.00 | Korea | Won 2000 | Qatar | QR9.50 |
| Egypt | E£3.25 | Kuwait | Fils.500 | S.Arabia | SR8.00 |
| Finland | FM9.50 | Lebanon | L£800.00 | Singapore | S$4.10 |
| France | FFr7.50 | Lux | LFr55 | Spain | Pta165 |
| Germany | DM2.80 | Malaysia | M$4.25 | Sweden | SKr12 |
| Greece | Dr180 | Morocco | MDh8.00 | Switz | SFr2.80 |
| Hungary | Fl107 | Neth | Fl 3.25 | Thailand | Bht55 |
| Iceland | IKr160 | Nigeria | Naira12 | Tunisia | Din0.800 |
| India | Rs15 | Norway | NKr12.00 | Turkey | L2000 |
| Indonesia | Rp3100 | Oman | OR1 | UAE | Dh7.00 |

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

FT No. 31,329


Friday December 14 1990

D 8523A

**TRADE**

**Knocking on China's door**

Page 6

World News

## Albanian troops sent in to quell protesters

Albania sent in troops to quash anti-communist demonstrators in the northern city of Shkoder after crowds had stoned the local Communist party building and attacked the radio station. Page 20

### Congressmen lose

A US judge rejected a request by 54 Democratic members of congress for an immediate court order barring President George Bush from waging war without congressional approval.

### Welcome for Tambo

Oliver Tambo, 73, president of the African National Congress returned to South Africa after more than 30 years in exile, to the cheers of thousands of supporters. Page 4

**The Financial Times**

**We apologise to readers who could not obtain a copy of the FT yesterday, or who received their copy late. This was due to transmission problems between our printing plants. The survey on Switzerland in the European Finance and Investment series will be published again on Tuesday December 18.**

### Kohl backs minister

German chancellor Helmut Kohl belatedly defended one of his cabinet ministers, dismissing charges that former East German prime minister Lothar de Maiziere had been a secret police informer.

### Paris judge shot

France's top anti-terrorist judge Giles Boulouque, 40, died at his Paris home after apparently shooting himself, the Justice Ministry said.

### India helps out

India, not so long ago a hungry country in dire need of foreign aid, announced it would lend 1m tonnes of wheat to the Soviet Union.

### Georgian emergency

The Soviet Union sent investigators to the troubled Georgian region of South Ossetia where a state of emergency was declared after three people were shot dead.

### Monopoly to end

Hungary will end its state monopoly on oil imports and let market forces set petrol prices from January 1, a government spokesman said.

### Greenpeace demand

The environmentalist group Greenpeace demanded that France release five of its activists arrested on a nuclear test island in the Pacific.

### Ershad ally held

Bangladesh police arrested former deputy prime minister Shah Moazzem Hossain in a continuing crackdown on allies of ousted president Hossain Mohammad Ershad.

### Yugoslav crisis

Yugoslavia's collective state presidency has called for talks between the federal government and the deeply divided republics to prevent the multiethnic state from breaking up.

Business Summary

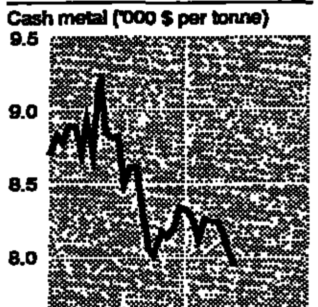
## Gardini's son succeeds him in top post at Ferruzzi

IVAN GARDINI, 21-year-old son of Raul Gardini, is to be the new chairman of Ferruzzi Finanziaria (Ferfin), one of Italy's biggest financial holding companies, in a move which has stunned Italian business circles. Page 21

COMMODITIES: The premium for cash nickel on the London Metal Exchange disappeared as both cash and three-month

**Nickel**

Cash metal ('000 $ per tonne)




metal fell below $8,000 a tonne. Weak demand for cash metal helped to put the market on the defensive. Page 31

LYONNAISE des Eaux Dumez, French water and construction company, took advantage of the buoyant market in water shares to sell stakes in two of the UK's privatised water companies. Page 21

BUNDESBANK stressed its aim to hold inflation down and keep a strong D-Mark as an anchor in the EMS, in announcing its money supply target for united Germany. Page 20

UDDEHOLM, Swedish tooling steel manufacturer, and Böhler, a subsidiary of the Austrian state-owned steelmaker Voest-Alpine Stahl AG, are to merge next year, creating the world's largest producer of special tool steels. Page 19

COATS VIYELLA, Europe's largest textile group, issued a profits warning and said it may not be able to maintain a dividend because of deterioration in the UK textile industry. Page 30; Lex, Page 20

BRITISH Aerospace, the UK aerospace group, is seeking international partners to collaborate in the $1bn development of a new twin engine 130 seat regional jetliner. Page 8

TRADE: The EC secured a temporary waiver from Gatt rules for the former East Germany's trade with the Soviet Union and east European countries. Page 6

CHICAGO Board of Trade re-elected chairman William O'Connor by a narrow margin that reflected recent troubles at the exchange. Page 26

EQUITICORP: Seven former executives of the collapsed New Zealand investment company were charged with fraud offences totalling NZ$440m ($264m). Page 4

CANADA'S 7 per cent goods and services tax is set to become law after two years of acrimonious public debate. Page 7

PAKISTAN'S BANK unions are studying ways of resisting government privatisation moves, fearing branch closures and many job losses. Page 4

## Weekend FT


**Tomorrow: Geoffrey Owen, who steps down as editor of the FT later this month, reflects on Britain's industrial record since he joined the paper in 1958.**

# Delors treaty will prevent UK delay to single currency

By David Buchan, Philip Stephens and John Wyles in Rome

BRITAIN would not be able to hold up the final decisions on a single currency under proposals on monetary union being put forward by the European Commission.

The draft treaty, which is being circulated to EC governments, is expected to be proposed by Mr Jacques Delors, president of the Commission, when the Inter-Governmental Conference (IGC) of EC states opens in Rome tomorrow.

The treaty on Emu has to be agreed by a consensus of governments and passed through each parliament, giving Britain a chance to exercise a veto.

However, the draft stipulates in its Article 109 (G) that all *detailed decisions on the move* to Europe's single money would be taken by a "qualified" or weighted majority that must include "at least eight member states."

The draft highlights the political pressures facing a *future* British government over choosing between bowing to the majority will of the EC partners on monetary integration or opting out as a full member.

Mr John Major, attending his first EC summit as prime minister, will insist at today's summit that Britain is still firmly opposed to any agreement which leads to the imposition of a single currency.

The production of a draft treaty reflects confidence in Brussels that despite the strength of British reservations most of the sensitive issues have been resolved to the satisfaction of the other 11 EC states. The first signal for the move to the final stage of Emu would, according to the Commission draft, be a declaration by the European Council (as EC summits are known) that *real economic convergence* between EC economies had been achieved.

The Commission also suggests "temporary derogations" allowing countries in economic difficulties to stay out of the monetary union for a time. Thus, even if Britain were to agree to the final goal of a single currency and were in economic distress, it could still have a grace period in adopting it. Senior British officials, however, have been looking at various ways in which countries could opt in, or out, of a single currency and central bank in the final stage of Emu. Mr Major's "hard Ecu" plan finds no clear place in the Commission draft treaty.

It confers on the EuroFed, as soon after January 1994 as it is created, management of the Ecu, without specifying what sort of Ecu.

But in its commentary, the Commission says: "To those who say they wish – and can – make of the Ecu an instrument of convergence by hardening it", the Commission thinks that only the reinforcement of the Ecu is capable of putting it at the centre of the Emu process. "But this reinforcement will not result solely from the process of sanction by the market. It will only be realised if the Community and all 12 states promote the use of the Ecu and make it more attractive", it says.

Editorial comment, Page 18

# KGB warns of crackdown

By Quentin Peel in Moscow

GENERAL Vladimir Kryuchkov, chairman of the KGB, the Soviet state security service, yesterday issued a clear warning of a new crackdown on dissident political movements in the Soviet Union.

Speaking only two days after a dramatic television broadcast in defence of the united Soviet state, he served notice of "adequate" measures to be taken against any people or organisations "who are openly against the existing system" but who stopped short of advocating its violent overthrow.

"The law enforcement bodies, *including the KGB, did not* act decisively and effectively enough in the past," he told Pravda, the Communist party newspaper. "Now it seems that our reaction must be adequate to what is taking place."

His interview was published alongside the text of his television broadcast, which he delivered on the express instructions of President Mikhail Gorbachev, he said.

In it he spelt out in even clearer detail his fears about the threat of disintegration of the Soviet Union as a unitary state.

"A partial dismemberment of our union has already led to the wreckage of economic and other links between the republics and whole regions," he said. "But that is just the beginning. If the process is not halted, you can just imagine in what situation all of us will find ourselves tomorrow."

He said the destruction of inter-ethnic relations was an even greater threat than the breaking of economic and trading links between the republics. *Good race relations would* take far longer to restore.

Anyone openly advocating the violent overthrow of the state could be prosecuted, he said. "But now we are dealing with a number of social and political organisations which are openly against the existing system, but who refrain from openly advocating its violent overthrow.

"If there are calls not to obey the law and to destroy the existing state structures, to conduct disobedience campaigns and to demolish the symbols of our state power, to flagrantly interfere in the activities of the law enforcement bodies, to break social order, and to instigate ethnic conflicts . . . is it not such kinds of activity that the law enforcement bodies should deal with?"

His words can be taken to refer to the rash of nationalist movements now operating in all the 15 union republics, where hunger strikes, street protests and blockades, and the destruction of monuments to Vladimir Lenin, as well as the *forcible occupation of state and* party buildings, have become commonplace.

Gen Kryuchkov, regarded as a Gorbachev loyalist, but also a conservative on law and order, and suspicious of foreign intervention, used his television address to bracket "economic sabotage" with secession movements and "extreme radical political trends."

KGB revels in new role, Page 2
US-Soviet relations, Page 3

# Increase in number of British jobless is biggest for 9 years

By Peter Norman, Economics Correspondent, in London

UNEMPLOYMENT in Britain rose sharply last month with the biggest increase since May 1981, adding to evidence that the UK is heading into a deep recession. The figures put into stark relief the economic problems faced by the government of Mr John Major.

Department of Employment figures showed that the number out of work in the UK jumped by a seasonally adjusted 57,600 to 1.76m in November.

The unexpectedly sharp monthly rise brought the increase since March in seasonally adjusted unemployment to 155,800. City of London analysts had mostly been forecasting that unemployment would rise by 35,000 last month following a revised 34,300 increase in October.

Government figures pointed to big job losses in manufacturing, with employment in this sector falling by 23,000 in Sep*tember and 16,000 in October.*

The marked worsening of the labour market affected all regions of Britain and sparked fears that unemployment could rise above 2m early next year. However, there was no sign that the government could or would act to revive the economy by cutting bank base rates from their 14 per cent level.

Financial markets yesterday took their cue from Wednesday's tough speech in the House of Commons by Mr Norman Lamont, chancellor of the exchequer, in which he ruled out a cut in rates until sterling strengthens in the European exchange rate mechanism.

The key three-month interbank rate, which at the beginning of this week had been quoted around 13¾ per cent, discounting an imminent half-point cut in rates, closed yesterday at 13⅞ - 13$\frac{29}{32}$ per cent after briefly touching 14 per cent in the morning. Sterling made only modest gains on foreign exchanges, closing at DM2.8775 in London against DM2.8750 on Wednesday and well below its DM2.95 central *rate in the European Monetary* System.

At prime minister's question time in the House of Commons, Mr Major said: "I have been warning for some months that if wage rises stay high, that will have a necessary effect on jobs."

Government figures yesterday put the average underlying increase in weekly earnings in October, at 10 per cent, unchanged from the newly revised September figure and below July's peak rate of increase of 10.25 per cent.

But figures from the Paris-based Organisation for Economic Co-operation and Development showed that wage inflation in Britain was still well above the level in most other industrialised countries. Moreover, several recent large wage settlements including the 13.4 per cent rise at Ford and the 11 per cent rise at Rover will only appear in the average earnings figures for November, to be released next month.

The Confederation of British Industry said the steep rise in unemployment was a "sobering warning" and predicted "substantial job losses" unless earnings increases were brought well below 10 per cent.

Lex, Page 20

# European merger will create world special tool steels giant

By Robert Taylor in Stockholm and Charles Leadbeater in London

THE world's largest producer of special tool steels is to be created through the merger next year of Uddeholm, the Swedish tooling steel manufacturer, and Böhler, a subsidiary of the Austrian state-owned steelmaker, Voest-Alpine Stahl.

The two groups will create a holding company in the European Community, probably based in Germany, which will produce almost one-fifth of total world output.

The merged company will have an annual production capacity of about 90,000 tonnes. This will put the combined group ahead of its nearest European rival, the German Thyssen Edel Stahl, which produces 60,000 tonnes a year, and Hitachi of Japan, which makes 65,000 tonnes.

The world market for tool steel, which is mainly used to produce the equipment for stamping, blanking and punching metal, wood and plastics, is about 500,000 tonnes a year.

The merger will allow the combined group to rationalise distribution networks, which account for about 25 per cent of costs, given the relatively small quantities of steel they handle.

Mr Jeremy Fletcher, a director of Beddows and Company, the steel strategy consultants, said the merger could put pressure on smaller European producers of tool steel – such as Krupp of Germany, Ilva of Italy and Usinor Sacilor, the French group – to respond. These smaller tool steelmakers each produce between 10,000 and 20,000 tonnes a year. Böhler, which has a strong EC presence with a production plant at Düsseldorf, also has a well-developed customer base within eastern Europe.

However, the new grouping could also have an impact in the Far East and US, where Böhler will gain access to Uddeholm's well-developed *distribution networks,* Mr Fletcher said. Uddeholm is one the largest producers of tool steel in the US through its alliance six years ago with Ellwood, the US group.

The merger plan developed after the two companies agreed a SKr300m ($53m) cross-shareholding deal in April. Agreement on plans for the new enterprise, which will have its headquarters in the EC, has

Continued on Page 20

*William Bennett, tasked with revitalising the Republican party, withdrew saying: I didn't take a vow of poverty*

# Bush choice to lead Republicans turns down post

By Lionel Barber in Washington

US PRESIDENT George Bush's choice to revitalise the Republican party, Mr William Bennett, yesterday changed his mind and turned down the job of party chairman.

As chairman of the Republican national committee, Mr Bennett's main job would have been to energise the party ahead of the 1992 presidential election. His withdrawal is a setback for Mr Bush who has been desperately wooing the disillusioned conservative wing of his party.

Mr Bennett said financial constraints, notably a White House ethics ruling limiting his future outside income, had *forced him to withdraw.* "I didn't take a vow of poverty," he said.

The White House scrambled to draw up a list of possible replacements for the top party post occupied by Mr Lee Atwater who is suffering from brain cancer.

Mr Samuel Skinner, Transportation Secretary, is viewed as a front-runner, though other candidates are certain to press their claims.

Mr Bush's reluctance this year to remove Mr Atwater, his pugnacious former presidential campaign chairman, led to a period of prolonged drift at Republican headquarters which may have contributed to the party's indifferent showing at the mid-term elections last month.

Mr Bennett, 47, was supposed to fill the void but his choice proved controversial from the start.

An outspoken education secretary under President Reagan and chief drug policy co-ordinator in the Bush administration, he only became a Republican in 1986 *and had no experience of running for office or organising a* campaign.

Conservatives remained sceptical, arguing that Mr Bennett risked turning into a poodle on the tight leash held by Mr John Sununu, White House chief of staff.

Moderate Republicans were appalled by Mr Bennett's outspoken anti-abortion views and his attack on racial quotas and

Continued on Page 20



CONTENTS



### Tricky task ahead for Danish premier

Poul Schlüter, pictured, left, is back to serve a fourth term as Denmark's prime minister. He and his next administration, however, have a difficult task ahead

Page 2

MARKETS

**STERLING**
**New York lunchtime:**
$1.9435
**London:**
$1.944 (1.944)
DM2.8775 (2.875)
FFr9.7775 (9.7625)
SFr2.46 (2.4575)
Y257.0 (256.25)
£ index 93.5 (93.30)

**GOLD**
**New York:** Comex Feb
$376.1 (374.5)
**London:**
$373.0 (371.6)

**N SEA OIL** (Argus)
Brent Jan
$27.225 (26.25)

Chief price changes yesterday. Page 21

**DOLLAR**
**New York lunchtime:**
DM1.481
FFr5.0325
SFr1.268
Y132.15
**London:**
DM1.4805 (1.4785)
FFr5.03 (5.0225)
SFr1.2655 (1.2645)
Y132.15 (131.85)
$ index 60.6 (60.5)
**Tokyo close:** Y131.3

**US lunchtime rates**
Fed Funds 7$\frac{13}{16}$%
**3-mo Treasury Bills:**
yield: 6.984%
**Long Bond:**
107¼
yield: 8.094%

**STOCK INDICES**
**FT-SE 100:**
2,172.2 (+15.3)
**FT Ordinary:**
1,704.9 (+12.7)
**FT-A All-Share:**
1,044.39 (+0.5%)
**New York lunchtime:**
DJ Ind. Av.
2,616.09 (−6.19)
S&P Comp
329.16 (−1.03)
**Tokyo:** Nikkei
24,642.97 (+643.56)

**LONDON MONEY**
**3-month Interbank:**
closing 13$\frac{27}{32}$% (13$\frac{23}{32}$)
**Liffe long gilt future:**
Mar 90$\frac{17}{32}$ (90$\frac{3}{16}$)

هكذا من الأصل

# Wartburg car chief in clash with Treuhand

By Leslie Colitt in Berlin

A PUBLIC clash between the head of the east German Wartburg car company and the president of the Treuhand privatisation agency yesterday highlighted the growing desperation felt by many of east Germany's dying industries.

The argument, which spoiled the optimism of a signing ceremony in Berlin for the Opel group's DM1bn (£300m) new car plant in Eisenach, east Germany, was over the emotive issue of whether to continue subsidising production at the ailing Wartburg producer, also located at Eisenach.

Mr Wolfram Liedtke, the young head of the loss-making car factory, accused the German government and the Treuhand, which owns most of east German industry, of failing to reach a "binding decision" on whether to continue financial aid to Wartburg next year. He warned that without help the car factory, which employs 7,000 workers, would have to shut down on January 1. Wartburg's bleak future was one shared by many other loss-making east German companies, he said.

Few German officials are more aware of this than Mr Detlev Rohwedder, the Treuhand president, who previously rescued the Hoesch steel company. He retorted, however, that Mr Liedtke had presented a "list with Christmas wishes". Treuhand was not "St Nicholas with a big sack of presents", he said.

In front of the media, which had expected a set-piece signing ceremony, the Wartburg chief replied that he had presented Treuhand with a plan to reorganise Wartburg and not a Christmas wish.

Earlier, Mr Hans-Peter Wild, a member of the Treuhand board of directors, told Mr Liedtke flatly that Wartburg's "bill is not feasible".

The Wartburg manager disclosed that the car company, which has produced 52,000 units this year, was negotiating with Lithuania, which had offered to buy the production facilities with Estonia and Latvia and to continue producing Wartburgs in the Baltic states. Lithuania had also contracted to buy 3,000 Wartburgs for hard currency next year and wanted 12,000 more. The rest of the 27,000 units planned for next year would be taken by Poland and Yugoslavia.

Both Mr Helmut Haussmann, the German economics minister, and Mr Louis Hughes, chairman of Opel, the General Motors' German subsidiary, appeared slightly bemused by the public exchange.

Underlining that not all the news for east German industry is gloomy, the new Opel factory will provide desperately-needed jobs for 2,600 workers.

Car plant details, page 24

# The shifting ground under Italian politics

## 'Gladio' revelations and the passing of the Cold War threaten an end to a regime, writes John Wyles

THERE has been a somewhat decadent odour of *fin de regime* about Italian politics this year, although which particular regime may be in terminal decline has not been clear.

The five parties in the coalition dominated by the Christian Democrats (DC) and Socialists (PSI) – which has governed without interruption since 1981 – have frequently seemed so riven by dispute that the regime of the so-called *pentapartito* often seemed to be the one.

Even more remarkably, the 45-year DC regime of continuous presence in power has been losing its grip because of divisions within the party and weak leadership.

Most recently, the entire constitutional order of Italy's First Republic has appeared ill-adapted to the needs of modern Italy.

Now an issue has combined with an historic turning point to pose a simultaneous threat to all three regimes. The issue is Operation Gladio – "the stay behind" guerrilla force created on the prompting of the North Atlantic Treaty Organisation in the late 1950s.

The welter of "revelations" about Gladio is serving to cast the popular memory back over the last 30 years, producing a flow of unflattering recollections of secret service plots, bomb outrages and malignant Masonic lodges.

Essentially, this is the history of the Christian Democratic state.

So far no evidence has been produced to link any of the party's senior leaders with the possible exploitation of Gladio, either as an adjunct to a 1964 coup plan by sections of the secret service and the military, or as a right-wing vehicle for discrediting the Communist Party (PCI).

Unfortunately for him personally and for the office he holds, the one DC name which is being constantly evoked is that of the Italian president, Mr Francesco Cossiga.

This is partly because of the president's extraordinary sensitivity on the issue.

He had some responsibility for administering Gladio as a junior defence minister from 1966-68 and he walked into a wall of controversy in October with imprudently boastful justifications for Gladio and for his connection with it during that period.

He has since created all kinds of difficulties for the prime minister, Mr Giulio Andreotti, and his coalition by securing from the cabinet public affirmations of the legitimacy of Gladio after ministers had already agreed to ask a committee of constitutional sages to pronounce on the subject.

Few Italians need convincing there is and has been a great deal of rottenness at the heart of the DC state, but the party's permanence as a foundation of government has always been guaranteed by its status as the only real bulwark against the PCI.

The historic turning point represented by the collapse of communism in eastern Europe, and even more by the ending of the Cold War, removes this *raison d'etre*.

It has also hastened the PCI's search for a new identity. Next month the party abandons its Marxist past, giving birth to the Party of the Democratic Left (PDS) as a possible focus for a left-of-centre coalition alternative to the DC regime.

Although the PCI is bitterly and embarrassingly divided over the sort of new party which it wants to be, Gladio has succeeded in uniting it in self-righteous rage.

The party is convinced that the underground organisation was part of a wider conspiracy at the heart of the DC state to ensure that an alternative government based on the PCI would be forever excluded from power.

President Cossiga's reactions have been much more those of a DC politician than of a head of state above the party battle.

His descent into the party political arena is turning a spotlight firmly onItalian institutional arrangements and practices at a time when the politicians are under some external pressure to consider reform.

This takes the form of a popular referendum which next year could force changes in Italy's over-perfect system of proportional representation.

Italian politicians deeply wish to avoid referenda and to do so in this case the parties would have to bridge their own deep differences over institutional reform and produce legislation, which is unlikely, or hold a general election in 1991 instead of 1992 when the current legislature expires. This looks much the most likely outcome according to a scenario which has Mr Bettino Craxi's Socialists triggering a political crisis in the coming weeks.

All parties are now nervously aware that the ground is shifting under Italian politics and that alternative coalitions to those dominated by the DC are now conceivable.

Although the DC's political resilience should never be underestimated when its power is in jeopardy, the party's unity has never looked more fragile.

It is becoming exhausted by power, excessively corrupt and unable to curb the excesses of the system of party rule which it invented. It may not, in fact, survive to celebrate its 50th anniversary in power in 1995.

# Bundesbank stresses inflation goal, aims for strong D-Mark

By Andrew Fisher in Frankfurt

THE Bundesbank, Germany's central bank, yesterday stressed its goal of holding inflation down and keeping a strong D-Mark as an anchor in the European Monetary System, when it announced its first money supply target for a united Germany.

Monetary policy would remain tight, Mr Karl Otto Pöhl, Bundesbank president, said.

He warned that rising public-sector debt, as a result of the cost of unity and higher wage claims, contained inflationary risks at a time of fast growth in west Germany, now acting as an economic locomotive for the rest of Europe.

Mr Pöhl said the target range of 4-6 per cent for the broad M3 monetary aggregate for 1991 allowed for a 2.5 per cent rise in productive potential and a 2 per cent price increase, with an extra 0.5 per cent to accommodate more money in circulation.

The target range was the same as this year's for west Germany alone, which was being achieved. "It is ambitious when you consider that the risks on the price front have become bigger," Mr Pöhl said.

Some pay demands were around 10 per cent, including those for the public sector and transport workers' union.

"This must alarm the central bank." Thus, it would stick to its stability-oriented policies.

It was a "considerable success" that inflation had been kept down this year (excluding higher oil prices, it was below 3 per cent), especially in view of price pressures forecast through the introduction of the D-Mark into East Germany in July.

This low inflation had been achieved in the second year of an unusually strong economic upswing, with west German growth in 1990 expected to be between 4.5 and 5 per cent.

# French nuclear groups urged to boost research

By William Dawkins in Paris

FRENCH nuclear authorities must boost research into radio-active waste disposal and make a fresh study for a deep nuclear waste storage site, according to a parliamentary report published yesterday.

Geological surveys of four sites by Andra, state nuclear waste management agency, were frozen last February when opposition obliged Mr Michel Rocard, prime minister, to call a year moratorium.

This has provoked an intense public debate in France, which has no deep storage sites despite the fact that it is more dependent on nuclear energy than any country in the world.

The study, commissioned by Mr Rocard recommends that Andra should make new tests at six or seven sites chosen from a confidential list of 28 areas drawn up by the Industry Ministry in 1983.

Everyone a winner: Poul Schlüter (left) remains prime minister although his Conservative party lost five seats pictured yesterday with Svend Auken, leader of the Social Democrats who gained 14 seats

# Tricky task ahead for Danish premier

By Hilary Barnes in Copenhagen

K'S prime minister, Mr Poul Schlüter, yesterday began negotiations for the formation of a new minority non-socialist government following Wednesday's election to the Folketing.

His next administration, however, faces a difficult task after voters narrowed the majority held by the six non-socialist parties from 19 to seven seats in the 179-seat parliament. "The voters' Christmas present to the politicians is an unusually pernicious composition of the Folketing," commented Berlingske Tidende, the pro-government Copenhagen daily.

The Economic Advisory Council, the most prestigious of the country's forecasting institutions, published a report yesterday which will further sour the government's life. It criticised government plans for cutting income tax, the issue on which the election was called, and said that priority must be given, for balance of payments reasons, to maintaining a tight fiscal policy.

Mr Schlüter's own Conservative Party won only 30 seats, a loss of five, but his coalition government with the Liberals and Radical Liberals won a total of 66 seats, a loss of only one. The Radicals, after losing three of their 10 seats, are expected to defect from the coalition, but will continue to support Mr Schlüter as prime minister.

Mr Schlüter said he would try to form a four-party coalition, bringing in the small Centre Democratic Party and the Christian People's Party. Alternatively he would continue with a coalition of his Conservatives and the Liberal Party only.

The negotiations could be tricky. The centre parties are anxious to establish links with the opposition Social Democratic Party, which had its best election for many years, going ahead by 14 seats to 69, and they will make policy demands as the price of support for Mr Schlüter.

**DANISH ELECTION RESULTS**

| | Seats 1990 | Seats 1988 | % 1990 | % 1988 |
|---|---|---|---|---|
| Social Democrats | 69 | (55) | 37.4 | (29.8) |
| Socialist People's Party | 15 | (24) | 8.3 | (13.0) |
| Conservatives | 30 | (35) | 16.0 | (19.3) |
| Liberals | 29 | (22) | 15.8 | (11.8) |
| Radical Liberals | 7 | (10) | 3.5 | (5.6) |
| Centre Democrats | 9 | (9) | 5.1 | (4.7) |
| Christian People's Party | 4 | (4) | 2.3 | (2.0) |
| Progress Party | 12 | (16) | 6.4 | (9.0) |
| Greenland/Faroes | 4 | (4) | | |
| Other parties | 0 | (0) | 5.2 | (4.8) |

Country warned its economy has become 'seriously unbalanced'

# OECD gloomy on Sweden's prospects

By Robert Taylor in Stockholm

THE Swedish economy has become seriously unbalanced and its difficulties in competing internationally are unlikely to ease next year, the Organisation for Economic Co-operation and Development (OECD) warns in a gloomy report published today.

The time of "over-full employment" is about to end, it says, arguing it would be "regrettable" if short-term social considerations prevented a reduction in inflation through a modest increase in unemployment.

It criticises the government for not dealing toughly enough with an overheated labour market. "Fiscal policy was at times immobilised by political difficulties," it says. "In the context of the chosen exchange-rate regime, there are limits to how far monetary policy can restrain demand."

While praising the government for not stabilising the krona against a basket of weak currencies, the survey insists: "Credibility of the policies pursued is all-important," regardless of the nominal anchor chosen for the exchange rate.

In the past, the survey says, the Swedish authorities had tried to accommodate rather than conquer inflation. It avoids explicit condemnation of the traditional Swedish belief in full employment but its doubts over that strategy pervade the text. "It is clear that the strong political commitment to full employment in itself complicates the task of creating credibility for the anti-inflation policy", it declares at one point.

There is a clear concern that the Swedish authorities will not stick to their current anti-inflation strategy in the face of rising unemployment and will seek to boost demand through devaluation or an expansionary fiscal policy, as they did after the inflation crisis of the mid-1970s.

But no solid grounds exist at present to support such a fear, particularly given the November crisis package that came after the OECD report was completed. Next month's Swedish budget is expected to be highly restrictive.

The OECD especially blames the public sector for Sweden's worsening economic performance, saying: "It continues to impose costs on the economy which reduce overall efficiency."

"Financing the large public sector has profound effects throughout the economy on the allocation of factors of production, on incentives for saving and investment, as well as on the supply of labour."

The survey argues that Sweden's public sector, which employs 1.77m people (just over 40 per cent of all workers) and which last year swallowed up 59 per cent of GDP, has a negative impact on private-sector behaviour, especially in the lack of private savings. It expresses concern over the orientation of Swedish economic policy for the next few years, saying it could present a stronger test of political determination than recently.

With the competitiveness gain from the devaluations in the early 1980s now spent, and inflation running above the European average, Sweden will face growing unemployment. But the prediction of 3.6 per cent unemployment by the end of 1991 suggests it will remain low by west European standards.

In 1991 , general election year, the OECD believes private consumption will rise by 1.3 per cent.

# KGB declares war on corruption

By Quentin Peel in Moscow

SOME call it the Soviet way of life. Others call it the start of a market economy. The KGB calls it economic sabotage.

The mighty State Security Committee, both a secret intelligence service and for years a tool of political repression, has found a new role in rooting out corruption and black marketeers from the state distribution system.

Yesterday, just two weeks after it had established an "economic sabotage unit" on the orders of President Gorbachev, the KGB revealed the first results of its labours.

On a television screen in a briefing room tucked away on the third floor of the Lubyanka (a government building where the lifts are neat, clean and efficient, and the carpets in pristine condition), Major-General Alexander Karbainov presented a remarkably well-filmed video of the dubious dealings done at the back door of a major Moscow food store.

There was nothing on the shelves of Store 19, Leninsky Prospekt, as patient Moscow shoppers queued at the door in the hope of slices of sausage. But round the back, in the management offices, the KGB found a roaring trade in progress.

Gen Karbainov, sporting a Santa Claus tie ("I bought it in America") no doubt to lend a touch of seasonal goodwill to his gloomy occupation, said his men had launched a lightning investigation of the Moscow food trade network, and uncovered the same tale of theft and hoarding all around the city.

But he admitted he faces big problems. For a start he has no legal basis to clamp down on "economic sabotage".

"They sent us into battle without giving us a rifle," he declared. "They told us to control the import and distribution of food. But they did not define the punishment."

Then he was pressed to define what he meant by sabotage, for much of the work so far has simply been finding where the bottlenecks are in the distribution system, let alone the blatant corruption.

"Is it economic sabotage or just bad management?" the Izvestia correspondent inquired. Another colleague had a pretty good idea. "They are trying to stop the Soviet way of life," he said.

The Financial Times (Europe) Ltd Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1990.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Sir Geoffrey Owen. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

## US-SOVIET RELATIONS

# Bush anxious to ensure stability of Soviet Union

By Peter Riddell, US Editor, in Washington

MR JAMES BAKER, the US Secretary of State, 14 months ago signalled the start of more co-operative relations with the Soviet Union when he proposed a policy of seeking "points of mutual advantage."

The economic assistance package announced late on Wednesday shows that President George Bush and Mr Baker see the US advantage in keeping President Mikhail Gorbachev in power – as well as helping US grain farmers.

Both the substance of the measures – a mix of short-term agricultural credits and long-term technical assistance – and the manner of the announcement underline the US aim of keeping Mr Gorbachev going over the winter.

In theory, the support is be transitional to allow time for economic reforms to come into operation, although Washington has little faith in changes so far adopted and its real goals are short-term. Mr Baker stressed that "instability in the Soviet Union is very definitely not in the interests of the US or of the world."

While the Bush administration has adjusted to the challenge to President Gorbachev from the republics by opening contacts with them, its primary focus is still on the Soviet leadership in Moscow. US policymakers accept that a federal structure may develop, but they would be very concerned if the country disintegrated, not least because of fears about who would get control over the continuing large arsenal of tactical and strategic nuclear weapons.

There are risks for Mr Bush and Mr Baker in tying themselves so much to President Gorbachev and Mr Eduard Shevardnadze, the Soviet foreign minister. In the immediate future, the US would face a quandary if the Soviet Union did fulfil their tough warnings with a crackdown on internal disturbances.

A senior administration official said the US was watching this situation very carefully. He acknowledged that any society had the right to deal with problems of organised crime and stealing of food. "But obviously nobody wants to see that spill over into a constraint on political expression and a rolling back of the reforms that we've seen. We would view that very seriously."

Stressing the need for a more democratic government, he said: "What we've seen is that economic reform works best when there is a legitimate set of institutions and leadership putting it forward."

For all these worries, the announcement underlines what Mr Shevardnadze called "a new phase of our relationship and a new kind of co-operation."

This is symbolised by the close working relations between Mr Baker and Mr Shevardnadze, who now meet more frequently and for longer than the secretary of state does with leading Nato foreign ministers.

The two countries have closely consulted throughout the Gulf crisis from the day of the invasion. However there are limits; Mr Shevardnadze is constrained by those in the foreign and defence ministries who do not want to sever links with their former client in Baghdad. Moscow will not send troops to join the multinational forces but, in treating the Soviet Union as still being a superpower, the US has ensured its support.

● France has drawn up an emergency aid plan for the Soviet Union that it will submit to its European Community partners at today's EC summit in Rome, Presidential spokesman Hubert Vedrine said.

He told a news conference the plan included a financial component and humanitarian aid, such as shipments of food and medicines.

Spirit of partnership: Mr Bush looks to Mr Eduard Shevardnadze as he announces the aid package on Wednesday

# Moscow in 'unique' deal with IMF and World Bank

By Michael Prowse in Washington

THE special association between the Soviet Union and the World Bank and International Monetary Fund proposed by the White House is an "evolutionary step" which could lead eventually to full membership, a senior US Treasury official said yesterday.

The arrangement, which he described as "unique and unprecedented", is intended to give the Soviet Union access to technical assistance and advice from the Bretton Woods institutions on a "systematic, continuing basis". It will not involve loans of any description nor changes to the IMF's articles or the bank's charter.

However, the two institutions are expected to establish a permanent presence in Moscow. In addition to providing intensive analytic support for Soviet economic reform, IMF and bank staff may help co-ordinate technical assistance from other sources including the private sector.

The new special association provides a framework for implementing the recommendations of the study of the Soviet economy agreed at the Houston economic summit this summer and jointly conducted by the IMF, World Bank, OECD and European Bank for Reconstruction and Development.

The study, which is due to be published next week, is expected to provide the most detailed assessment yet of the state of the Soviet economy and outline a framework for a transition to capitalism.

Its most controversial recommendations are likely to include proposals for price reform. All the agencies involved in the study are thought to agree that the Soviet Union's ballooning budget deficit is the most serious short-run problem.

The new special associate status will involve the fund conducting annual reviews of the Soviet economy similar to the Article 4 consultations with member countries. Technical assistance from the fund will include advice on macro-economic, financial and exchange rate policies.

The World Bank will focus mainly on micro-economic issues, such as the development of efficient markets, and the longer term structural reform of sectors such as transportation and energy sectors.

Both institutions will provide training courses for Soviet managers and officials.

# Hopes high for arms treaty in February

By Lionel Barber in Washington

AFTER 10 years of on/off negotiations, the US and Soviet Union are on track to sign a strategic nuclear weapons treaty at the Moscow summit in mid-February.

The Start treaty will result in a 30 per cent overall cut in ballistic missiles, heavy bombers and deployed nuclear warheads. Unlike its predecessors, Salt I and the unratified Salt II, Start will be the first accord to actually reduce strategic nuclear arsenals.

As such, it can be described as an historic achievement. Both President Bush and President Gorbachev can be expected to play up this theme when they meet in Moscow on February 11 – provided that the treaty is indeed ready.

In a shift of policy which says much about the US willingness to prop up Mr Gorbachev, the White House said yesterday that Mr Bush would still visit Moscow even if the Start accord was not ready for signing.

The co-operative tone was further underlined during an calculatedly boisterous news conference on Wednesday held by Mr James Baker, US Secretary of State, and Mr Eduard Shevardnadze, the Soviet foreign minister.

When Mr Baker said only a few "very technical" difficulties remained outstanding such as telemetry encryption (used to conceal data on missile testing), Mr Shevardnadze started to laugh, setting off the Secretary of State. Only a few months ago, such "technical" detail led to a virtual stalemate in the negotiations.

The Start treaty will set a 6,000 ceiling on the overall numbers of nuclear warheads.

Mr Paul Nitze, the veteran US arms negotiator, would like to see the US seek more far-reaching limits on US and Soviet forces. Other critics note that because the two sides' modernisation programmes continue apace, the original goal of a 50 per cent cut in warheads will in fact only amount to 30 per cent.

# Farm leader expects the immediate use of credits

By Nancy Dunne in Washington

FARM organisation leaders in Washington yesterday hailed the waiver of the Jackson-Vanik amendment, which withheld a lowering of trade barriers pending changes in Soviet emigration laws, as "historic".

Mr Steve McCoy, president of the North American Export Grain Association, said the two superpowers had finally ended the Cold War in their trade relations. "The president was bound to get into this cautiously," he said. "The credit package can be expanded later on.

Now that the Soviets have access to it, they are expected to use the entire amount almost immediately."

There was the same sense of historic change at the US Export-Import Bank, which finances business transactions. But the exuberance exhibited by Mr John Macomber, the chairman, was tempered by the laws still in place which levy an overall $300m (£156.2m) limit on new financing and a $40m ceiling on financing of oil and gas projects.

For 15 years, farm and business groups which believed bilateral trade would improve US-Soviet relations, have been urging the waiver of Jackson-Vanik.

But no president was prepared to alienate the Cold War hardliners or the US Jewish lobby, which strongly backed the provision's insistence that no trade benefits be granted to a country prohibiting freedom of emigration.

Even in granting the waiver, President Bush exhibited his trademark caution by announcing that he would not, as expected, send to Congress the trade agreement signed last May with President Gorbachev. He would wait, he said, until the Soviets codify a new "free and fair emigration law".

This means the Most Favoured Nation benefits, long desired by the Soviet government, are still "on hold".

Chicago markets disappointed, Page 30

# Imports threaten to bring rail and ports to standstill

By Quentin Peel in Moscow

MORE than 1m tonnes of imported cargoes are blocked in Soviet ports because of congestion on the rail system, and Soviet officials are alarmed at the prospect of coping with large quantities of imported grain in the coming months.

They fear that huge new food credits from both the US and the European Community will simply aggravate the problem, and bring an overburdened rail and port system to a complete standstill.

In addition to the ports, thousands of railway wagons are trapped at border crossings between the Soviet Union and its east European neighbours, waiting to be unloaded.

The Soviet army has sent 1,000 soldiers to Brest on the Polish border, both to prevent theft from the wagons, and to help transfer cargoes to and from the wider-gauge Soviet rail system.

The worst congestion is at the far eastern ports of Vladivostok, Nakhodka and Vostochny Port, according to officials of the KGB, the state security committee, which has been given responsibility for supervising the entire food distribution system.

A senior KGB official, Mr Sergei Sliyakin, said yesterday it was estimated that 176,000 tonnes of grain would arrive in the Far East between December 15 and 30. In January and February, a further 300,000 tonnes were expected.

He said the most urgent task was to unblock the ports before the grain arrived, and thousands of wagons had now been despatched across Siberia to help.

He said the total backlog of imports in Soviet ports was 1,068,000 tonnes, of which 356,000 tonnes was waiting to be unloaded from ships, and a further 712,000 tonnes was in warehouses. Only 11,000 tonnes of the total was food.

At the rail borders, 6,851 wagons are waiting to be unloaded.

## INTERNATIONAL NEWS

# THOUSANDS CHEER TAMBO'S RETURN HOME

MR Oliver Tambo, President of the African National Congress (ANC), returned to South Africa yesterday after more than 30 years in exile, to the cheers of thousands of supporters, Patti Waldmeir writes from Johannesburg.

Mr Tambo, 73, left partially disabled by a stroke last year, did not address the crowd as expected, increasing speculation he will be unable to play a major leadership role in the organisation despite his return.

Asked how he felt, Mr Tambo said: "Fine, fine, fine". He used a walking stick and walked with a limp. Mr Nelson Mandela, ANC deputy president, addressed supporters on behalf of Mr Tambo, saying: "At the present moment, he wishes just to say he is happy to be among you."

Mr Tambo is expected to remain in South Africa for three weeks, and will deliver the opening address today at the ANC's first consultative conference to be held in the country for 30 years.

In spite of his disability, he could well have an important influence over ANC policy through Mr Mandela. The two men started South Africa's first black law firm in the 1950s. Mr Tambo, a relative moderate, is expected to stay with Mr Mandela at his Soweto home, and could balance the increasingly radical influence of Mr Mandela's wife Winnie.

The three-day ANC conference which begins today will be attended by 1,600 delegates, debating issues such as talks with Pretoria on ending apartheid, economic sanctions, and a plan for protests over white rule.

Oliver Tambo is welcomed at Johannesburg Jan Smuts airport on his return after 30 years in exile; Nelson Mandela looks on (right)

● THE MIDDLE EAST

# UN delay boosts Palestinian hopes

By Lamis Andoni in Amman

THE POSTPONEMENT late on Wednesday of a vote on a United Nations Security Council resolution on the Middle East, because of US resistance to the proposed endorsement of an early international peace conference on the region, has boosted hopes among Palestinians and their allies that pressures are building on Washington to address the Palestinian question.

In public statements, Palestinian and Jordanian officials express frustration and anger at Washington's refusal to accept the resolution, which also calls for international protection for Palestinians in the Israeli occupied territories.

**President George Bush yesterday urged European Community countries to "stay firm and united" in insisting on an Iraqi withdrawal from Kuwait at their heads of government summit meeting opening in Rome today, John Wyles writes from Rome. In a letter to the current president of the European Council, Mr Giulio Andreotti, the Italian prime minister, Mr Bush says that the release of all foreign hostages by Iraq "has changed nothing" nor weakened US opposition to negotiating with him over Kuwait. He added that US diplomats would shortly be leaving Baghdad, although the embassy would not be closed.**

Yet at the same time, the delay is viewed as an indication of a deepening in the US dilemma. Since the eruption of the Gulf crisis the US has been reluctant to exercise its veto on the Palestinian issue so as not to weaken the alliance against Iraq.

Jordanian and Palestinian officials point out that never before has Washington stalled so long in order to avoid vetoing a resolution regarding the Palestinian problem. Since the start of the Palestinian uprising three years ago the US had previously killed off eight resolutions condemning Israeli practices in the occupied territories and at least seven supporting Palestinian rights.

Emerging differences among the US allies over the draft resolution are being detected in Jordan, with France and Italy seen as more sympathetic to the Palestinian cause. This has been seen as a sign that the west will come to endorse the same forceful stand on the Israeli occupation that it has demonstrated towards the Iraqi occupation of Kuwait.

# US and Iraq still at odds on dates for talks

By Peter Riddell, US Editor, in Washington

THE US and Iraq remain in dispute about the dates of the proposed high-level direct contacts, only three days before Mr Tariq Aziz, the Iraqi foreign minister, was originally planning to come to Washington.

The US is insisting that Iraq has refused to set acceptable dates for the meetings following its offer that Mr James Baker, its secretary of state, would go to Baghdad between December 20 and January 3.

The US has rejected Baghdad's suggestion that Mr Baker's visit should be on January 12, on the grounds that this is too close to the United Nations deadline for the Iraqi withdrawal from Kuwait, or else face the threat of military action. Iraq has suggested that Mr Aziz would come to Washington next Monday.

The White House said yesterday the US offer is "still out there", and Mr Baker commented that in view of the Iraqi attitude: "It doesn't look like they are particularly serious about getting this arranged."

However, the Iraqi Foreign Ministry yesterday said that Mr Bush's proposal of talks, made two weeks ago, appeared to be a propaganda ploy.

A spokesman said: "Iraq will not allow anybody to define a timetable for its president to meet others." Despite these exchanges, the expectation in Washington is still that dates will be fixed before long.

Mr Baker is likely to meet the foreign ministers of the other four permanent members of the UN Security Council before going to Baghdad. They are expected to agree a statement reaffirming the aims of UN resolutions and providing the assurance that Iraq will not be attacked if it withdraws from Kuwait.

# Iraq invades GCC's cosy illusion of Arab unity

Where once pious words reigned, attention turns now to security and defence, writes **Tony Walker**

MR ABDULLAH Bishara, the outspoken secretary general of the Gulf Co-operation Council that links together the six states of the Gulf littoral, has no doubt that the present crisis represents a moment of reckoning, a watershed in Arab affairs.

For someone who has talked a great deal in the past about Arab unity, Mr Bishara could now be said to have become a grim convert to the need for individual states and smaller regional blocs to strive harder to protect their own interests.

"We all realise now we haven't done nearly enough on defence," he said in an interview at the GCC's imposing headquarters in Riyadh.

"We should have realised the nature of the Iraqi regime as a de-stabilising force, but as Arabs we suffered from an inability to contemplate the invasion by one Arab country of another," he added. "This inability to detach reality from illusion is the lethal flaw of Arab politics."

Mr Bishara and his colleagues are ruefully candid about their own and their organisation's failure to foresee the depth of the Iraqi menace; and they acknowledge that the GCC, formed in 1981 as an umbrella for the vulnerable newly oil-rich states of the Gulf – Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Oman and Bahrain – has failed its first big test.

The painful lessons of the crisis are already leading to a review of GCC security arrangements. In Riyadh last week, Sheik Nawaf al Ahmed al Sabah, Kuwait's defence minister, said a new defence system should include "an effective deterrent that would ensure peace and stability to the member states".

Mr Bishara himself has no

Bishara: ruefully candid

doubt that closer co-ordination and co-operation is the only answer. "Iraq was able to invade Kuwait because it was defenceless ... it was swallowable," he said. "Our problem is that there is too much concern among us for the retention of sovereignty and the trappings of statehood. We need a stronger framework for co-operation and complementarity ... one system calling the shots."

The GCC charter, which is full of pious words about integration and co-operation among the six GCC states, makes no mention of security arrangements. In fact, the first reference to military co-operation came at the second GCC summit held in Riyadh in November 1981, and this was in light of a further worrying deterioration in the Iran-Iraq conflict as the Iranians fought back with surprising strength.

The GCC began to work on its "Peninsula Shield" concept after that summit meeting, but Iraq's invasion of Kuwait in which it encountered little resistance starkly exposed the inadequacies of GCC attempts to build a regional security shield.

Mr Bishara, a Kuwaiti, said the GCC had now entered a second phase in which "we have to face the incontrovertible fact that we were threatened and swallowed by an Arab country".

The Gulf crisis has also had the effect of encouraging a review of the GCC's sometimes faltering attempts to achieve economic integration. Dr Abdullah Kuwaiz, the organisation's assistant secretary general for economic affairs, said that as soon as the Gulf crisis ended he expected an accelerated effort to be made to implement GCC economic accords to strengthen and achieve further integration of the regional grouping.

Dr Kuwaiz, a veteran Saudi official, said GCC states should push forward much more vigorously towards unified customs arrangements, cross-border shareholdings in key institutions such as national banks and the introduction of a common currency.

"The GCC was created as a political entity," said Dr Kuwaiz. "For the past nine years we have tried to give this political entity an economic symmetry, but it has not been easy because we all export one commodity, and we import almost everything.

"Trade among us is limited, so you have not only to eliminate barriers, you also have to engage in joint development projects."

GCC leaders will meet later this month in Qatar to review Gulf developments in very different circumstances from their last meeting in Oman a year ago. As Mr Bishara said: "Things will never be the same again – not only in the Gulf, but throughout the Arab world."

# Snub for Iraq at Opec talks

By David Thomas in Vienna

THE Iraqi and Kuwaiti delegations sat side by side during formal meetings of the Organisation of Petroleum Exporting Countries (Opec) in Vienna yesterday, with the Iraqis lodging a protest over a delegation representing "former Kuwait".

This was the only occasion the political dimension of the Gulf crisis was formally raised. The two delegations did not speak to each other. Mr Rasheed Salem al-Ameeri, Kuwait's oil minister, said later that Kuwait was not prepared to enter into talks with Iraq without certain conditions.

"We are not willing to negotiate with Saddam Hussein and his regime unless and until they withdraw totally from Kuwait," Mr al-Ameeri said. The legitimate Kuwaiti government would have to be restored and Iraq pay Kuwait compensation for invasion. Kuwait was preparing a reparations bill, and had paid the US the \$2.5bn (£1.3bn) pledged to the cost of US forces in the Gulf.

Canadian sailors play a desert version of ice hockey in Manama, Bahrain, yesterday

# Iran and Algeria consider peace effort

IRAN SAID yesterday it would consider launching a joint initiative with Algeria to prevent war over Iraq's continuing occupation of Kuwait, Reuter reports.

President Ali Akbar Hashemi Rafsanjani, welcoming Algeria's President Chadli Benjedid in Tehran on a Gulf peace mission, told Iranian television: "The situation in the region is reaching a critical point and serious action is necessary...

"We will review the results of his (Mr Chadli's) talks so far in his tour and then, God willing, we will take a joint action to save the region from the danger of war."

Mr Chadli, who held talks in Amman and Baghdad before going to Tehran, said Iran had a "great and critical role" to play in resolving regional disputes.

# Two Koreas fail to seal agreements

By John Ridding in Seoul

NORTH AND South Korea yesterday ended talks aimed at easing tension on the peninsula, having made little progress but agreeing to meet again early next year.

The prime ministers of the two countries failed to conclude any agreements, blaming each other for lack of results. The talks were marred by North Korea's criticism of the visit to Moscow by South Korea's President Roh Tae Woo, who left for Moscow yesterday. "Why can't we discuss ending a cold war between compatriots if it is possible to discuss this with foreigners?" said Mr An Byong Su, North Korean spokesman.

While in Moscow, Mr Roh will seek Soviet help in easing Korean tensions. "I am determined to see my visit to Moscow will be a significant step forward in freeing all our people from the fear of war," he said. "President Gorbachev and I intend to discuss the ways our two nations should work together to end the Cold War once for all, and achieve peace and unification on the Korean peninsula."

The main obstacle during the talks, the highest-level Korean contacts since 1945, was whether to sign a non-aggression declaration. This has been North Korea's principal demand since October. Seoul insists a basic agreement calling for confidence-building measures be concluded first.

# NZ executives on fraud charges

By Terry Hall in Wellington

SEVEN FORMER executives of Equiticorp, the collapsed New Zealand investment company, were arrested yesterday and charged with fraud offences totalling NZ\$440m (£137m).

Equiticorp was one of the high fliers on the New Zealand investment scene and was set up in the mid-1980s. Under Mr Allan Hawkins, its former chief executive, it flourished in the deregulated atmosphere of the Labour government and acquired a string of industrial companies.

The purchase of New Zealand Steel from the New Zealand government was signed on the day of the October 1987 stock markets crash and involved huge borrowings which were later seen as a cause of the group's downfall.

The company also expanded internationally, including the controversial purchase of Guinness Peat in the UK, before it was placed in statutory management in 1988.

The arrests follow a lengthy investigation by the Serious Fraud Office whose director, Mr Charles Sturt, said the trial would take nine months. He would not rule out the possibility of further arrests.

The executives arrested were not named. They were released on police bail and will appear in the Auckland district court today to face the joint and individual charges of conspiracy to defraud and other fraud charges.

The arrests followed an eight-month investigation by the Fraud Office which is continuing its investigation.

Statutory managers handling the collapse of the 137 companies in the group said they were unaware of the arrests and refused to comment.

# Pakistan bank privatisation fight

By Farhan Bokhari in Islamabad

LEADERS of Pakistan's bank unions are studying ways of resisting government privatisation moves, fearing the closure of branches and many job losses.

Ahead of a meeting in Rawalpindi tomorrow, large black banners with slogans opposing the government's plans are prominently displayed at many state-owned banks in Karachi, Pakistan's banking capital.

Mr Usman Ghani, secretary-general of the employees' federation of Muslim Commercial bank (MCB), the first bank being considered for privatisation, claims that half of the bank's 12,800 employees would be made redundant.

A senior MCB executive who spoke anonymously said that if loss-making branches are closed and staff positions deemed unnecessary are cut as much as 30 per cent of present staff could be shed.

Mr Habibullah Juneidi, a leader of the labour union at Habib Bank, said many of the loss-making branches were in rural areas and provided an important public service. He argued that the government ought to concentrate first on recently-announced moves to allow the establishment of new private banks.

Government officials insist that employees of state-owned banks would be able to find jobs in these new private banks. Union leaders contend they need more than mere assurances that these new banks will be established.

One Pakistani businessman, saying he had "grave doubts whether the banks will be denationalised", argued that a rapid improvement in profitability would need to involve not only job cuts but a lending policy based entirely on credit-worthiness, rather than alleged political influence.

He claimed that some state-owned banks had extended various bad loans but had shielded their true financial position, making it difficult for private entrepreneurs to invest.



# Islamabad acts to boost investment in industry

By Farhan Bokhari in Islamabad

THE Pakistani government yesterday announced it was liberalising industrial policy in an effort to boost investment in industry.

Mr Sartaj Aziz, finance minister, and Mr Shujaat Hussain, industries minister, said in Islamabad that in future, investors would not be required to seek government permission for setting up industrial units. The only two sectors which would continue to be restricted were arms and alcohol production.

The government also eased requirements on industrialists to reveal their source of funding for investments, in an apparent effort to attract funds which previously went undeclared for tax purposes.

The new policy also provides for tax-free status on income from new industries, ranging from three to eight years depending on whether the location is urban or rural. These incentives will also apply to foreign investment in Pakistan.

Mr Aziz said Pakistan had a large number of sectors where foreign investment was only now being liberalised, identifying telecommunications and power generation.

# China plans early opening of airport for HK

By John Elliott in Shenzhen

CHINA has reached the halfway stage in the construction of a Yuan 940m (£93m) airport in the southern special economic zone of Shenzhen. Officials say it could relieve pressure on neighbouring Hong Kong's congested Kai Tak airport from the end of next year because it will be equipped to international standards.

This progress is specially significant at a time when China is raising objections about the estimated HK\$79bn (£5.2bn) cost of Hong Kong's proposed new airport, including access roads and ancillary works, at Chek Lap Kok off Lantau Island.

China is concerned about the debt burden of Chek Lap Kok which is expected to open about the same time that Hong Kong returns to Chinese sovereignty in 1997. Lu Ping, director of Peking's Hong Kong and Macao Office, has publicly raised objections on four consecutive days this week during a visit to southern China.

Yesterday he criticised plans for a new Hong Kong airport authority to run Chek Lap Kok. He said the authority could become too powerful as an "independent kingdom" exerting undue influence over the government.

China has argued that the airport may not be needed at its planned size because of Shenzhen's new airport and another planned in the Portuguese enclave of Macao which has also suffered Peking's wrath.

Top Chinese officials have told Hong Kong that there is no plan for Huangtian, designed to handle 8m to 10m passengers a year with its first runway, to become international for three or four years. But some officials are talking about a shorter timescale.

Hong Kong government officials have been sceptical for the past two years about whether the Shenzhen airport would ever be completed. There have also been suggestions, which China denies, that it will not be fully equipped to international standards.

A visit to the site on the eastern side of the Pearl River Delta 37 nautical miles from Hong Kong reveals that the structure of a full-size three-storey passenger terminal is almost complete, along with other buildings. The foundations of a 3,400 metre main runway are also in their final stages.

Li Shi Hua, deputy chief engineer, said that a trial flight was planned for next September and that domestic scheduled flights should start by the end of next year. This means that even if these schedules slip by a few months, flights should begin before construction of Chek Lap Kok starts.

Orders worth \$11m (£5.7m) have been placed with international contractors for air traffic control, communications, fire fighting and other equipment. Loans of \$27.8m from Kuwait for the current and later stages of the airport have been replaced by \$15m foreign exchange loans from the Bank of China as a result of the Gulf crisis. This has necessitated some reduction of foreign expenditure plans.

# Higher oil costs reduce Japan's trade surplus

By Robert Thomson in Tokyo

JAPAN'S customs-cleared trade surplus in November fell 35.6 per cent from a year earlier to \$2.27bn (£1.18bn), with higher oil costs producing an increase in imports that cancelled out the impact of a strong export performance.

Ministry of Finance figures released yesterday showed that imports for the month rose 26.2 per cent to \$28.41bn, while exports rose 16.3 per cent to \$25.68bn. There were sharp increases in exports of transport machinery, up 21.3 per cent, and electric machines, up 16.8 per cent, while mineral fuel import costs rose by 88 per cent.

The bilateral surplus with the US was \$3.57bn, slightly up on the \$3.56bn of a year earlier, while exports to the EC rose 27 per cent to \$4.77bn and imports from the EC increased 21.5 per cent to \$3.28bn.

Ms Chiharu Sumita of stockbroker UBS Phillips & Drew said that the oil price increase had distorted the figures, though exports were also exaggerated by unsustainable increases in sales of automobiles and some electrical equipment.

"We should see a continuing reduction in the surplus in the first few months of next year. After this month, the impact of oil prices will lessen, but the slowdown in the US economy should also lead to a slowdown in exports," Ms Sumita said.

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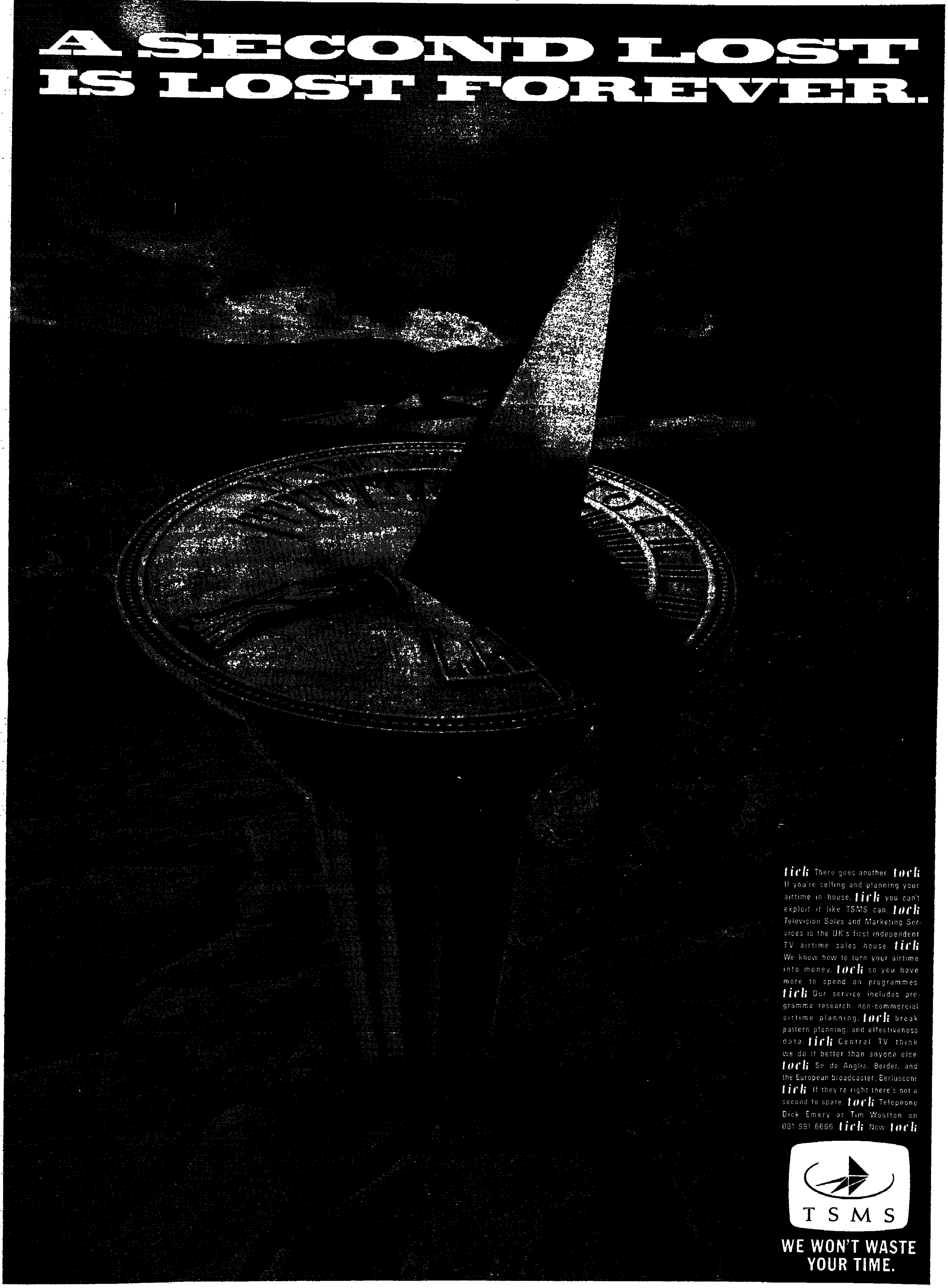


## WORLD TRADE NEWS

# EC secures a Gatt waiver on trade with east Germany

By William Dullforce in Geneva

THE EUROPEAN Community yesterday secured a temporary waiver from the rules of the General Agreement on Tariffs and Trade for the former East Germany's trade with the Soviet Union and east European countries.

Gatt members voted 56 to three in favour of the waiver with five abstentions despite procedural objections by the US.

Since the unification of Germany the EC has been applying duty-free quotas to goods imported to the former east Germany under earlier bilateral protocols with East European countries. These protocols do not comply with Gatt's non-discrimination rules.

Immediate application of Community and Gatt rules would interrupt trade and lead to factory closures, loss of production and higher unemployment in the exporting countries, the EC explained.

The transitional measures are being applied until the end of 1991 with possible renewal for a further year.

A US official rejected a suggestion that by voting against the waiver Washington was expressing hostility towards the EC after the breakdown of Gatt's Uruguay Round trade talks in Brussels last week.

The US merely objected to abandoning normal Gatt procedure under which the request for a waiver had first to be examined by a working group, officials said.

As a compromise the EC agreed that a Gatt working group should monitor implementation of the transitional measures. Japan and Hong Kong joined the US in voting against the waiver.

■ An agreement on the export of domestically prohibited goods and hazardous substances is likely to be submitted for approval by the Gatt council by next spring.

This would respond to complaints that manufacturers in industrialised nations export to developing countries products, such as chemicals, which have been banned in their home markets. A working group has arrived at an outline agreement under which governments of exporting countries would either ban the export of a product or notify Gatt if it was allowed.

# A more cautious West is knocking on China's door

## Sanctions barriers may have been lowered but memories of instability remain, Angus Foster writes

FIVE days after the 1989 crackdown in Peking Mr Deng Xiaoping, China's patriarch, said that once the situation became stable, "foreigners are still going to come knocking on our door".

Eighteen months later, Mr Deng has been proved right. China has won top marks for its behaviour over the Gulf crisis. Western leaders, fearful of losing trade to their competitors, have lowered sanctions barriers one by one. In the last few months the EC, the World Bank and the Asian Development Bank have all relaxed restrictions on dealing with China. As a result, commercial bankers are resuming the once well worn path to Peking. And, at least on the surface, it seems business will soon be back to normal.

But Chinese and foreign bankers admit much has changed. Last year's events brought home the real political and economic risks at stake in China and killed off, perhaps for a long time, the rush to get China business onto the books. "Our lenders are looking more carefully, they want higher spreads and the Chinese side is less complacent," a Chinese banker in Hong Kong said.

Among foreigners, there is a greater reluctance to do business or, because of lingering memories, to talk about it. "All of us are extremely cautious. We are focusing on government-backed projects in priority sectors and concentrating on serving our major clients," according to Mr B J C Poldemans, manager of the China department at ABN. The bank has just been appointed joint financial adviser to a $220m (£114.5m) project financing for a power station Asea Brown Boveri is to build in southern China.

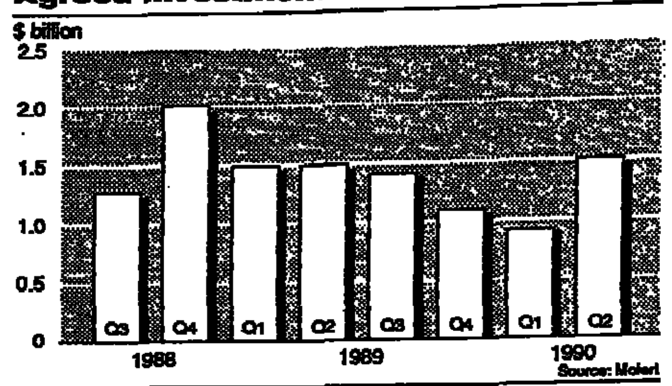
**CHINA: ACTUAL INVESTMENT ($m)**

| | 1987 | 1988 | 1989 | 1990* |
|---|---|---|---|---|
| Hong Kong + Macao | 1,588 | 2,095 | 2,078 | 736 |
| Japan | 220 | 514 | 356 | 110 |
| US | 263 | 236 | 284 | 135 |
| Taiwan | - | - | 432 | 92 |
| Others | 233 | 349 | 243 | 156 |
| Total | 2,314 | 3,194 | 3,393 | 1,229 |

*January-June

Source: Statistical Yearbook of China (Mofert)

**Agreed investment in China**




Japanese banks are returning to China but, under pressure from their Ministry of Finance, they are coy. The Europeans, meanwhile, are more active. Competitors even describe some as aggressive, and allege Italy circumvented the year-long EC sanctions by granting subsidies to Italian companies rather than the Chinese end-borrower.

China re-emerged from its sojourn of disfavour to find commercial bankers worried about credit, capital adequacy and economic downturn. Not surprisingly, this has affected the pricing and guarantees demanded of China business.

Wardley, a subsidiary of Hongkong Bank, has just concluded the underwriting of a $800m project financing for a highway connecting the southern Chinese cities of Guangzhou and Shenzhen. Mr David Levy, head of project finance, said the underwriting took longer than expected. "Japanese banks, for example, needed longer to get permission," he said.

Bankers in Hong Kong think the project is costing the borrowers, Hopewell Holdings of Hong Kong and a Chinese provincial authority, between 0.5 per cent and 0.75 per cent more than 18 months ago, reflecting higher China risk as well as worldwide trends.

High-quality Chinese guarantors, such as the Bank of China, are also being pushed to accept margins which have almost doubled to 1 per cent over LIBOR compared to 0.5 per cent early last year.

Export credits to China only started up again in October after the release of European subsidised loan packages, frozen following the Madrid meeting in June 1989.

Although agencies such as the US and Japanese Exim banks were allowed back into China earlier, the Chinese were waiting for the soft loans.

With those loans blocked, the Chinese did not accept conventional export credits in case it was seen as an admission of guilt or an indication they did not expect the loans to be reinstated. "Now these facilities are back there is less sensitivity to accepting conventional export credits," according to Brian Allen, trade finance director at Midland Bank.

A £300m subsidised loan channelled through the Export Credits Guarantee Department of the UK, of which about £40m has so far been used, is now being negotiated.

The package, made up of 36 per cent grants and 64 per cent at OECD consensus rates for up to 20 years, will finance a range of British exports for priority sectors of the Chinese economy, including infrastructure projects and export orientated industries.

But in spite of this and similar outstanding packages from European and Japanese agencies, with a total value estimated in excess of $2bn, there is debate about how quickly the loans will be used up.

Some bankers say China could run out within six months. Others point to the British loan.

Projects which were close to agreement 18 months ago will now seem less simple as UK inflation, compared to fixed Chinese budgets, forces renegotiations.

Either way, China will not have access to the same level of subsidised loans as in the mid-1980s.

China is now competing against eastern Europe and the Middle East for aid, credit is scarce, and in the US especially the Chinese leaders are still seen as having blood on their hands. Commercial bankers expect conventional export credit financing to become the norm.

"Chinese companies which were looking for soft loans are now being urged by Peking to look for export credits," according to Mr Williams. Another Hong Kong based banker said Peking estimates next year will see the highest ever level of export credits. Thereafter, much will depend on China's "behaviour", he added.

# MacSharry urges realism on subsidies

By David Gardner in Strasbourg

OPTIMISM still prevails in some quarters over the stalled Uruguay Round, according to Mr Ray MacSharry, the European Community agriculture commissioner.

Mr MacSharry said yesterday that success in the talks on liberalising world trade is "within our grasp", provided the contestants in the agriculture subsidies row "work to achieve realistic solutions".

Mr Ray MacSharry told the European Parliament that the US and the Cairns Group of principal farm exporting nations came to last week's trade ministers' summit in Brussels with "unrealistic aims as to what could be achieved in agriculture in the Round"

The talks were suspended last Friday because the EC did not meet US and Cairns Group demands for very heavy cuts in the linked areas of domestic farm support, barriers to imports and export subsidies for farm produce.

Mr MacSharry, reporting to the parliament on the Commission's behalf, said the Community had no "inferiority complex about this problem, we stand by the substance of our proposal", for a 30 per cent cut in domestic farm support over 10 years, starting from 1986. "We can't have an agreement at any price," he warned, "all the contracting parties have to make an effort".

In the debate that followed, Mr MacSharry would not be drawn on the details or outline of the Commission's proposed reshaping of the Common Agricultural Policy (CAP), which he himself had described as "revolutionary" after Tuesday's farm council meeting in Brussels.

He merely said that it would steer a course between those seeking root-and branch reform of the CAP and those who regard its generous provisions for Europe's 10m farmers as inviolate.

The Commission is keeping the policy paper on CAP reform under close wraps.

Renewed commitments to rebalance the CAP have been prompted mainly by the need to soften the blow of any concessions the Community makes in the Uruguay Round.

The question now is whether the detailed proposals promised for early next year are now being seen as a way of breaking the negotiating impasse.

# Japan praises Community stance on agriculture

By Robert Thomson

A SENIOR Japanese government official yesterday praised the EC for its flexibility in the stalled Uruguay Round talks on agriculture, and criticised the US for having shown "no inclination to seek a compromise".

Mr Noboru Hatakeyama, director-general of international trade policy at the Ministry of International Trade and Industry (Miti), suggested that the EC had shown a willingness to compromise during the recent talks in Brussels, while the US and the Cairns Group of agriculture product exporters had been "very, very rigid".

Mr Hatakeyama, one of the most senior Japanese officials at the failed Gatt talks, denied accusations that Japan had shown a lack of leadership in Brussels, and said that a lead was given in talks on trade-related investment measures and on anti-dumping regulations.

"The EC has moved this time. I think the EC has been seeking a compromise," he said. That was evident, he explained, in a new willingness to discuss separately issues such as export subsidies and internal supports for agriculture, and in a readiness to introduce ceilings.

As for the closed rice market, he said that Japan has shown "enough flexibility" on other important issues, and that negotiators are bound by a parliamentary resolution banning imports. Rice, he said, is "very, very difficult for us".

# Eximbank acts on funding increase

By Nancy Dunne in Washington

WITH increased funding for its trade finance activities, the US Export-Import Bank this year has embarked on an aggressive programme which could double its exposure in Mexico and boost concessional lending in Asia.

The lone exception to this combativeness will be the China market, where the agency's officials worry they will be losing business for refusing to follow the lead of their European and Japanese competitors, who are negotiating a return to concessional lending.

The pace of Eximbank deal making in China increased last year, due mostly to the competitive advantage of the lower dollar. The agency even went ahead with a mixed credit offer – a mingling of commercial financing and foreign aid. This consisted of a $10.4m (£5.4m) Eximbank grant and a $12.75m guarantee, offered before the bloody events in Tiananmen Square to "discipline" French and German competitors who allegedly violated agreed notifications procedures.

However, officials say Eximbank has no plans to offer other tied aid in China; the agency has, in fact, committed most of its mixed credit funding for the 1991 fiscal year to other countries.

The bank will continue the "go slow" policy it adopted after Tiananmen Square. Any lending will require close consultation with the State Department on political and human rights issues involved in a deal. Offers are made only when "a real deal is in sight" and it is clear that without Eximbank support the US supplier would risk losing business. No such constraints hold true for Mexico, where the bank is growing increasingly active.

At a meeting of Eximbank's advisory committee this week, Mr Carl Leik, an assistant to the executive vice-president, said arrangements are underway for the financing of a $1.6bn energy project by Pemex, the Mexican oil company. Another 105 transactions, valued at about $1.5bn, are being put together.

After years of declining allowances, Eximbank last year got a funding increase, despite the US budget squeeze. Direct lending could rise from $718m to $750m, with $150m of that set aside for the mixed credits "war chest".

## BUSINESSES FOR SALE



**BUSINESSES FOR SALE**

**ALSO APPEARS TODAY**

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# South Americans seek to revamp regional security

By John Barham in Buenos Aires

BRAZIL, Argentina and Chile are negotiating an ambitious regional security pact that could be ready as early as next year, according to Mr Domingo Cavallo, Argentine Foreign Minister. It will embrace military integration and give the armed forces a role in environmental protection and drug traffic control.

The talks are being handled by the three foreign ministries, rather than by the respective militaries. Argentina's armed forces have repeatedly stated their distaste for non-military operations, such as drug enforcement.

The military integration talks follow the decision this year by Brazil, Argentina, Uruguay and Paraguay to form a regional common market. Last month, Brazil and Argentina announced they will bring their nuclear installations under international safeguards, having resisted such controls for 40 years.

Chile, Argentina and Brazil possess South America's largest armed forces and have been bitter rivals. The rivalry was stoked up in the 1960s and 1970s by military governments which indulged in an expensive arms race. But tensions have eased, the countries having returned to democratic government.

The region's civilian governments are now keen to find a new role for their restless military establishments. Eleven days ago, President Carlos Menem of Argentina put down his country's fourth military rebellion since the return to democracy in 1983.

Mr Cavallo said the negotiations would include purely military topics, such as missile, chemical and atomic weapons controls. The talks are also intended to "promote closer ties between the armed forces and to carry out joint exercises". The hope is that they will build confidence between the country's respective armies.

Argentina's decision to promote a reform of its armed forces, by moving to interior and border regions units now based in the capital, Buenos Aires, is said to have caused unease in Brasília and Santiago.

The final aim is to establish a collective security organisation to repel threats to the signatories' territories. Mr Cavallo said the talks will include "environmental security, and co-ordinating our forces [so] that our territory cannot be used by drug traffickers and narcotics terrorists".

# Brazilian Congress votes for indexed pay

By Christina Lamb in Rio de Janeiro

THE BRAZILIAN government suffered a big defeat yesterday when the Congress voted to reintroduce indexation of wages, linked to inflation, for people on low salaries.

President Fernando Collor is expected to veto the new legislation, which would fix wages each month according to the the previous month's inflation. The Economy Ministry said that it would stick to its line that indexation was "detrimental to our economic stabilisation programme".

The vote came after the government had failed to establish a social pact with politicians, union leaders and business. They are now expected to renew efforts for a national understanding, members of the president's economic team having frequently said that a return to the traditional Brazilian practice of index-linkage would lose the battle against inflation.

The struggle to change the system to free collective bargaining has been under way since June, when Mr Collor first announced the end of indexation. However, with inflation now near 20 per cent a month, workers fear that, without indexation, they would suffer a huge monthly drop in spending power.

# Tired voters hand it to Gaviria

## Low poll may assist the Colombian president, writes Sarita Kendall

THE HIGH abstention rate in elections last Sunday for a constitutional assembly was a humiliation for the Colombian government. However, the low poll, with only 3.7m people out of a potential 14.2m voting, could prove a blessing in disguise for President César Gaviria.

With its political power thus diminished, the new body should be more manageable and will probably reform the country's constitution rather than write a new one.

Although the assembly's legality is in no way affected by the poor turn out, several congressmen have questioned its political right to supersede a parliament elected with more than twice the number of votes.

The Liberals, who were so divided before the elections that they had to run on regional instead of national slates, are looking for scapegoats in the government. However, some could not hide a sly triumph that the very body designed to reform congress and divest it of corrupting privileges, should be in trouble.

The constitutional assembly was conceived by a student movement earlier this year when the country was bewildered by bombs and violence. Seven million Colombians voted for it in a referendum held in May at the same time as the presidential election, apparently giving massive popular support for institutional change.

Analysts trying to explain why the same voters did not come out last Sunday say three elections in one year are too many; that economic measures

President Gaviria: Blessed

to control inflation have eroded government support; that the electoral barons stayed quiet because the assembly is not in their interests; and that vague ideas of a better future cannot compete with the roads, school places and money normally on offer at election time.

M-19, the former guerrilla group, is the only party to have increased its vote since May. With 19 seats, Mr Antonio Navarro Wolf, the M-19 leader, must play a prominent role. This could set him up as a serious contender for the presidency in 1994.

M-19's campaign platform was less radical than populist, and Mr Navarro has so far taken an unexpectedly moderate political line for a former column commander from the hills.

The governing Liberals, who emerge with 24 seats in the 70-member assembly, will have to form an alliance for the majority needed to put through the government's reform proposals. Personally and politically, President Gaviria may have more in common with the M-19 group (which includes a Liberal, trades union and student leaders, a poetess, Colombia's football trainer and some hard-core former guerrilla fighters) than with the Conservative factions, which would not anyway vote as a single bloc.

For the first time, the original inhabitants of Colombia will have two representatives in a legislative body. Francisco Rojas, an Embera tribesman, says the constitution should recognise ethnic and cultural diversity, give Indians the freedom to manage their own reserves, and include environmental precepts.

The election of two evangelists set experts calculating the effect of 2m-plus evangelical protestant voters.

The assembly is to begin on February 5 and run for five months. The main reforms are expected to focus on justice (with the introduction of an accusatory system), presidential and congressional powers, decentralisation, state intervention and human rights.

President Gaviria, while warning that constitutional reform cannot be the panacea for Colombia's ills, has always presented the assembly as an opportunity for reconciliation and guerrilla participation in politics. The military's all-out attack on the headquarters of the Revolutionary Armed Forces of Colombia (Farc), announced as voting finished on Sunday, was therefore surprising, despite recent guerrilla violence. The Farc's leadership apparently escaped into the forested mountains, though the army occupied a network of well-fortified jungle camps.

The Farc – a guerrilla army of several thousand moved by old-style Soviet communism – has exasperated the military by yo-yo-ing in and out of peace talks, while continuing to ambush patrols and kidnap. Recently they have joined with the National Liberation Army (ELN) to dynamite oil infrastructure.

Neither the Farc nor the ELN was expected to surrender arms and join the constitutional deliberations; but, if weakened militarily, they may be forced to negotiate for peace on less favourable terms.

This war on the guerrillas contrasts with the government's conciliatory attitude to the drug traffickers who, after releasing two kidnapped journalists, still hold seven more.

The liberation of Hero Buss, a German correspondent, on Tuesday coincided with a message from the "extraditables" repeating that they would hand themselves over provided the government promises legal guarantees and security for their families. Three minor traffickers have already come in to test the ground, and the government is building special prison facilities.

What the extraditables want next is political treatment, opening up the possibility of a pardon and re-integration into Colombian society. Although President Gaviria has said the constitutional assembly is not the place to discuss issues which could give rise to intimidation, it may still prove to be the traffickers' vehicle.

# US retail sales down as shops feel Xmas pinch

By Michael Prowse in Washington

US RETAIL sales registered their first fall for six months in November, as consumers cut purchases of durable goods sharply, the Commerce Department reported yesterday.

In cash terms, the seasonally adjusted decline was small, at 0.1 per cent, and somewhat less than analysts had predicted. Allowing for inflation, however, the real decline was probably about ¾ per cent, implying significant retrenchment on the part of US consumers.

October retail sales figures were revised up slightly to show an increase of 0.2 per cent, before inflation, compared with an initial report of 0.1 per cent.

In November, the sharpest cuts were in sales of durable goods, down 1.4 per cent in cash terms. Purchases of building materials, hardware, garden equipment and mobile homes fell 2.6 per cent. Sales of cars were down 1.4 per cent.

Department store spending fell 0.4 per cent, confirming reports that the big retailers are having a lean Christmas season. Many are running extended sales promotions.

The falls, however, were partially offset by a 0.8 per cent increase in purchases of clothing and a 0.7 per cent rise in petrol sales, which remain inflated by the rise in oil prices after Iraq's invasion of Kuwait.

Total retail sales were $151.6bn, a cash increase of 3.4 per cent from November 1989, but a sizeable real decline, allowing for consumer price inflation of about 6 per cent.

# US education secretary sacked for soft approach

By Peter Riddell, US Editor, in Washington

Mr LAURO Cavazos, the departing US Education Secretary, did not resign voluntarily this week but was fired, after a meeting with Mr John Sununu, White House Chief of Staff.

The White House regarded Mr Cavazos, the first Hispanic-American in a US Cabinet, to be so unassertive and ineffective as to undermine President George Bush's aim of being known as the "education president". Only two hours after the resignation of Mr Cavazos was announced on Wednesday, Mr Bush made a speech urging improvements in educational standards, which are generally seen as falling behind those of competitor countries.

Mr Cavazos's departure has gone unmourned by teachers and by free-market advocates of educational reform.

Mr Bush's advisers are looking for someone who will be more active in energising support for educational reform.

Among the candidates for the vacant cabinet posts, of Education Secretary and Labour Secretary (Mrs Elizabeth Dole resigned in late-October), are two House members who lost races last month for Senate seats, Mrs Lynn Martin and Mrs Patricia Saiki.

# Cuban queue sellers fined

A CUBAN court has meted out fines and jail terms of up to one year to nine people who were convicted of charging a fee to keep places in queues outside shops, the Communist Party daily, Granma, said yesterday, Reuter reports from Havana.

The practice has become widespread on the island, where long queues are common.

The *coleros* can charge up to 20 pesos (£14) for a place at the front of a queue, with lower prices further down the line.

The sentences in a Havana municipal court against the nine, seven of them women, included fines of 300 pesos, and jail for three months to a year.

# United Nations bans mining in Antarctica

THE United Nations General Assembly has unanimously endorsed a ban on mining in Antarctica and says it wants a role in any decisions on protecting the frozen continent, AP reports from New York.

A resolution, adopted 98-0 with 7 abstentions yesterday "expresses regret" that the UN secretary-general had not been invited to meetings of the Antarctic Treaty nations which have been considering such environmental measures.

The United States, Soviet Union, France, Australia and New Zealand were among a number of nations that said they were not participating in the vote.

Decisions on Antarctica have historically resided within the Antarctic Treaty signatory group.

Twelve of the 39 Antarctic Treaty nations – particularly France, New Zealand and Australia – are seeking to designate Antarctica a vast nature preserve or world park.

No commercial mining or oil exploration is being conducted in the southernmost continent, but a ban on future activity is considered a key to the plan.

The treaty nations recently met in Chile to discuss how to implement a ban on commercial mining in Antarctica, which is believed to contain large quantities of minerals beneath its surface.

The UN resolution said issues on Antarctica should be brought before a UN summit on the environment scheduled in June 1992 in Rio de Janeiro, Brazil.

Environmentalists say at least several of the 26 Antarctic Treaty nations with decision-making power, generally resist moves to yield any of their authority to the United Nations or world community.

Mr Bruce Manheim of the Environmental Defense Fund in Washington noted that rising fears about possible exploitation of the continent, recent oil spills and growing tourism have led the world community to call for a greater voice in the process.

# Salvador peace call expected

CENTRAL American presidents, at a weekend summit in Costa Rica, are likely to call for a ceasefire in the Salvadorean conflict, in an effort to step up international pressure on the FMLN left-wing guerrillas there, Reuter reports from Managua.

The rebels maintain that their offensive is to force the El Salvador government of President Alfredo Cristiani into substantive negotiations.

## UK NEWS

# Dublin's claim to Northern Ireland survives vote

By Kieran Cooke in Dublin

A BILL to amend articles of the Irish constitution which lay claim to the territory of Northern Ireland has been defeated in the Dail, the lower house of the Irish parliament.

The bill was proposed by the small Workers Party and supported by the Labour party and the main opposition Fine Gael party.

However the governing Fianna Fail/Progressive Democrats coalition was against the constitutional amendments and the bill was defeated by 74 votes to 66.

Fianna Fail had argued that amending the articles concerned – Articles 2 and 3 – would not be helpful at a time when negotiations to bring about talks between the constitutional parties in Northern Ireland were continuing.

The Progressive Democrats said that any amendments must form part of a wider constitutional review.

In a separate development Mr Gerry Collins, the Irish foreign minister, told a meeting of the British-Irish Inter-Parliamentary Body in Dublin that all party talks in Northern Ireland could bring about a "fundamental re-evaluation of all aspects of relationships between our islands."

Mr Collins said that "everything and anything" would be on the agenda if talks took place between Dublin and representatives of the unionist community – including Articles 2 and 3 of the constitution.

Mr Peter Brooke, the Northern Ireland secretary, described Mr Collins' comments as "very interesting." Mr Peter Robinson, deputy leader of the Democratic Unionist party, welcomed Mr Collins' statement. "The removal of Dublin's aggressive claim would transform relationships between Northern Ireland and the Republic of Ireland" said Mr Robinson.

## Ford begins export drive from Dagenham plant

Ford has begun its biggest car export programme from the UK for more than 10 years. It is shipping around 10,000 Fiestas a month from its long-troubled Dagenham assembly plant in the Thames Estuary to continental Europe. The US car maker has been struggling for many years to improve the productivity and quality of the Dagenham plant.

## City abandons hope of swift interest rate fall

Rachel Johnson, Economics Staff

LONDON'S financial markets yesterday abandoned hopes that an interest rate cut would accompany the release of today's retail prices index for November, which is expected to show UK inflation falling more than one percentage point to 9.7 per cent.

Money market rates adjusted to reflect dimming expectations of an interest rate cut by Christmas, in spite of data which showed another contraction in monetary growth and a rise in unemployment.

Expectations of an easing today had mounted after Mr Norman Lamont, the chancellor of the exchequer, said last week that large falls in inflation would provide scope for substantial cuts in interest rates.

But, though there is strong evidence of a pronounced economic slowdown, the City is no longer predicting that inflation's fall will provide the catalyst for Mr Lamont to cut interest rates and begin to restore growth to the economy.

In a statement on Wednesday, Mr Lamont signalled to the markets that he would not risk cutting interest rates until sterling strengthened within the European exchange rate mechanism.

This shift of government policy has effectively dashed hopes of an interest rate cut until the pound becomes stronger. Sterling's weakness in the ERM range is severely limiting the ability of the chancellor to soften the impact of high interest rates.

Sterling yesterday failed to close higher against the dollar even though the government had made clear that the high-yield status would remain intact.

Analysts are no longer confident that there will be an easing of monetary policy by as late as March. The interest rate on the three-month sterling contract rose to 14 per cent yesterday before closing at 13 13/16.

## Governor of Bank of England under pressure to reveal details to MPs

# Harrods Bank disclosure urged

By John Mason

THE GOVERNOR of the Bank of England came under increased pressure yesterday to disclose information about Harrods Bank to the Commons trade and industry committee after its chairman said he could do so under parliamentary privilege.

Mr Kenneth Warren issued a strong challenge to Mr Robin Leigh-Pemberton, the governor, to give evidence about the bank, saying it was "high time" he responded to the committee's request to do so.

He also indicated he might seek the support of the Commons as a whole in persuading him to give evidence.

The committee accepted the director of public prosecutions' conclusion there was insufficient evidence to bring criminal proceedings against the Fayed brothers, the directors of the House of Fraser, which owns Harrods and its bank. However, it has maintained that the courts should rule whether they should be disqualified from their directorships.

Leigh-Pemberton: pressure

Mr Leigh-Pemberton has argued that the provisions of section 82 of the Banking Act, placing him under a strict duty to maintain strict commercial confidentiality, prevent him making such disclosures.

However, Mr Warren said that, according to his latest advice, such information could be disclosed to the committee under parliamentary privilege.

Urging him to do so, he said: "I really do hope that the governor of the Bank of England will look very carefully at his position in this matter.

"Bearing in mind he has had since before March 1990, it is high time he responded on behalf of the Bank of England to this very worrying matter about whether or not the bank and its directors, including the Fayeds, are trading in a proper manner as required under the Banking Act".

The Bank of England responded by saying that if Mr Warren had advice which contradicted that given to Mr Leigh-Pemberton it would be considered. Speaking in a Commons debate on City fraud, Mr Warren said the committee had not yet insisted Mr Leigh-Pemberton appear but emphasised it had the right to do so.

He acknowledged there might be some conflict in law between the provisions of the Banking Act and parliamentary privilege.

However, in such circumstances he said it would be "very surprising" if the Commons as a whole did not act to support the committee and its privileges.

Mr Robin Maxwell-Hyslop, the Tory MP for Tiverton and a member of the committee, said there was no question that Mr Leigh-Pemberton should give evidence.

"If he has declined either to to justify his inaction, or report his action to the committee, then I think he should call into consideration his own occupancy of that office," be said.

## BRITAIN IN BRIEF

Peck International, the collapsed trading empire, widened when the home secretary, Mr Kenneth Baker, ordered a further investigation into the affair.

Mr Baker ordered a fuller inquiry into "certain matters" concerning Mr Wyn Jones, an assistant commissioner, after seeing the results of an earlier internal police investigation into Mr Jones.

Shropshire County Council to build a new bridge within view of the Iron Bridge in the Severn Gorge.

The Iron Bridge – the most famous symbol of the birth of the Industrial Revolution – has special status as a World Heritage site.

It is, Mr Heseltine told the council in a letter, "a civil engineering masterpiece" which "fully deserves to have its magnificent natural setting protected".

## CITY REGULATION

# Labour plan to curb insider dealing

By Ralph Atkins

THE OPPOSITION Labour party yesterday set out proposals for toughening measures against fraud and insider dealing in the City of London. It claimed its blueprint would help "promote and enhance" the quality of UK financial services under the present regulatory regime.

Ms Marjorie Mowlam, opposition spokesman on financial and economic affairs, said the current system had to be clarified and improved urgently.

The Department of Trade and Industry had to accept broader responsibilities, legislation should be simplified and civil law sanctions introduced against insider dealing.

She said: "If self-regulation is to continue in its present form, it must work more efficiently and produce a higher quality of service to consumers and business."

Her proposals, which concentrated on fraud and insider dealing in London's financial centre, stopped well short of proposing any fundamental reform of the present system. However, she did say that Labour would consider streamlining the number of regulatory bodies.

A Labour paper on the regulatory regime as a whole will be published next year and may see Labour backing a radical changes to a system similar to the US Securities and Exchange Commission (SEC).

Ms Mowlam complained about the poor reputation the DTI had on combating large-scale City fraud. The abuse of inside information demonstrated "a major weakness of London's wide open financial markets".

Labour policy was to "promote and enhance the quality of UK financial services" and to "champion the development of London as a major European and international financial services centre".

Ms Mowlam suggested simplifying the 1985 Company Securities (Insider Dealing) Act so that a successful prosecution would now require only proof that the information came from an "authoritative source" rather than a named person.

The City's regulatory agencies would be given the right to recover, under civil law, compensation. They could then distribute sums to individuals affected. A lower civil law burden of proof and the possibility of compensation for victims could complement criminal liability.

Other proposals included transferring the Stock Exchange's insider dealing team to the DTI, preventing duplication and ensuring no conflict of interest with the Stock Exchange's commercial activities.

Labour would introduce a statutory obligation for company information to be published "speedily" so the scope for insider dealing and fraud was reduced.

## British coal chairman appointed

Neil Clarke: experience of mining industry

Mr Neil Clarke, chairman of Molins, the UK precision engineering company, will replace Lord Haslam as chairman of British Coal. The appointment of the man who may well take British Coal into the private sector follows a five-month search for a successor to Lord Haslam, who is due to retire later this month.

Mr Clarke, who takes up his five-year post on 1 January 1991, is a chartered accountant by training, but has considerable experience of the mining industry. He made his name at industrial holding company Charter consolidated.

## South Koreans invest in Wales

Sammi, a large producer of specialist steels, has taken a 23.5 per cent stake in a Welsh company that plans to start production of specialist steel next spring. It is the first South Korean investment in Wales.

Sammi paid C$5m (£4.3m) into Camborne Industries, a holding company quoted on the Vancouver stock exchange but now a British public limited company.

Camborne's subsidiary, Abernerth Industries, is building a plant in Neath, West Glamorgan, which is expected to begin production of a stainless-steel veneer for steel products next April or May.

## BZW lays off 39 staff

Barclays de Zoete Wedd, the investment banking arm of the Barclays group, is making 39 people in its UK equities division redundant.

The job cuts and redeployment of staff within the group will affect 19 per cent of the UK equities staff. BZW Equities employs 1,200 people worldwide.

## Scargill avoids resignation call

An attempt to force the resignation of Mr Arthur Scargill, the president of the National Union of Mineworkers, was sidestepped at the first meeting of NUM leaders since an unsuccessful industrial action ballot.

A move by the union's small Scottish area to call for the resignation of Mr Scargill and

Arthur Scargill: president not to be dislodged

Mr Peter Heathfield, NUM secretary, and reverse the union's stance on pay talks was ruled out of order at an NUM executive meeting.

## KPMG boosts acturial arm

KPMG Peat Marwick McLintock, the world's largest firm of accountants and management consultants, has formalised its growing involvement in the actuarial field by establishing a new partnership of consulting actuaries – KPMG Peat Marwick Actuarial Services.

KPMG, like all major accountancy practices, has been providing actuarial services for some time.

Since 1984 these have been provided by an actuarial department within the main partnership.

# Review of airport charges to cover cost of security

By Paul Betts, Aerospace Correspondent

THE three airports in the London area owned and operated by the BAA were referred yesterday to the Monopolies and Mergers Commission by the Civil Aviation Authority.

The 1986 Airports Act, obliges the CAA to refer these airports – Heathrow, Gatwick and Stansted – to the MMC every five years.

The CAA said yesterday the MMC would investigate and make recommendations by next November on the maximum increase in airport charges for the five years starting April 1992.

Airport charges are controlled through a formula set by the government for the five years from April 1987 which allows the airports to increase charges each year on the basis of 1 percentage point less than the rate of inflation.

But the airports have since been able to recover through airport charges 75 per cent of the additional security costs they have incurred as a result of the government's recent tightening of airport security regulations.

The CAA has asked the MMC to look particularly at a number of issues which are expected to have a significant impact on airport charges. These include how additional security costs should be recovered; whether the three airports should be regulated individually or as an airport system; the implication of the 1992 European single market on the airports and their facilities; airport congestion and the BAA's future investment programmes.

The BAA has been seeking a more favourable pricing formula because it argues that its capital expenditure is exceeding revenues. The BAA is expected to file a planning application next year for a £2bn investment programme to develop a fifth terminal at Heathrow and is considering developing a second terminal at Stansted.

The CAA emphasised yesterday the referral was part of the regulatory procedures under the 1986 Act but it added that the MMC would also report to the CAA on whether any of the airports had acted against the public interest in airport related commercial activities like duty free facilities and airport bus services.

Gatwick Airport, near London, to be subject of review with Heathrow and Stansted

The referral coincided with fresh calls yesterday for the development of a new runway in the south-east of England.

The Air Transport Users Committee (AUC) warned in its annual report that failure to build an additional runway would not only result in considerable incovenience to air travellers, but cause "massive damage to the UK economy with costs of up to £50bn by the year 2010".

## BBC must stop promotions

An official government inquiry will tell the BBC to stop advertising its publications and products on its television and radio channels. The only exception will be the Radio Times, the BBC's programme listings magazine.

Meanwhile, the BBC has decided to close The Listener, the broadcasting-based weekly magazine, after 62 years because of increasing losses and declining circulation.

## McDonald's to start recycling

McDonald's, the US-owned fast food chain, plans to introduce a scheme next summer to recycle rubbish produced by its restaurants into commercial products.

The products will include compost made from food scraps and paper, and a variety of items using recycled plastic. Some products – trays and perhaps even restaurant seating – will be used in McDonald's own operations.

## Brixton prison condemned

Brixton prison has been condemned as "corrupting, depressing, seriously underdeveloped and underfunded," in a report by the chief inspector of prisons.

The facilities at the south London jail, where 13 inmates have committed suicide over the past two years, "hardly exist" at all, said Judge Stephen Tumim.

## Police link to be examined

The controversy surrounding the alleged links between a senior police officer and Polly

## Industrial cradle protected

Mr Michael Heseltine, in one of his first planning decisions as environment secretary, has turned down a proposal from



## BRITISH ECONOMY

# Invisible trade shows alarming lack of buoyancy

By Peter Marsh, Economics Staff

WHAT used to be a life raft for the British economy is showing an alarming lack of buoyancy.

Invisible trade – services, interest payments and other financial transfers – as recently as 1986 earned a surplus of nearly £10bn, helping to offset the UK's large deficit on visible goods such as manufactured items.

Over the past four years, however, the surplus from invisibles has gradually declined, to £4.2bn last year. The Treasury is projecting a surplus this year of £2.5bn – which would be the lowest annual figure since 1980. Even attaining this relatively low number is by no means certain, as the first nine months of the year produced an invisibles surplus of just £1.9bn

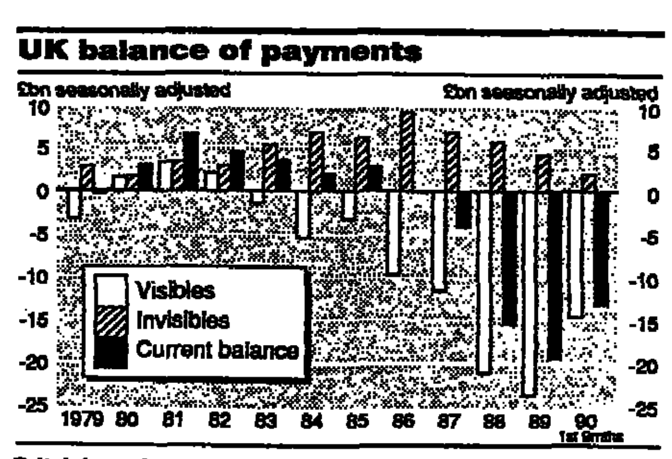
As the surplus on invisibles has declined, the overall current account deficit has risen, to a record £19.6bn in 1989. This year the deficit is likely to be about £15bn.

This week the Central Statistical Office said it had found £600m worth of extra invisibles earnings for 1990 which had hitherto been uncounted.

Despite this, the underlying trend worries a number of financial analysts, including Mr Gerard Lyons, chief economist at DKB International, a Japanese-owned securities house. Mr Lyons says: "A few years ago everyone assumed the invisibles surplus would keep on rising. The fact that it hasn't underlines the vulnerability of Britain's position on the balance of payments."

What lies behind the changes? One explanation is that Britain in recent years has become a net payer of cash to European Community institutions – transactions which turn up in the accounts under government transfers. A more fundamental factor is that

UK balance of payments




Britain's performance in trade in services, while still strong, declined during the late 1980s.

Last year, Britain had a surplus in services of £4.7bn, some £2bn below the annual levels seen in 1985-87. Britain's financial services industry, traditionally a strong export earner, has seen its position dented as global competition has increased. And as more people take holidays abroad, net earnings on tourism and travel have come down.

Helping to depress the overall invisibles surplus has been the relatively low amounts of capital flowing into Britain from interest, profits and dividends on overseas assets. During the past few years, the annual net earnings from this area have hovered around £4bn. That may seem disappointing, given the UK's high level of assets held abroad. One reason may be that the owners of the assets are reinvesting the cash overseas rather than at home.

Also contributing to the small invisibles surplus in the first nine months of 1990 is that, in the past year, UK-based banks have become large net borrowers relative to overseas groups. That has happened as the country has taken on more overseas debts to pay for the large visible deficit. So instead of banks fulfilling their historical role of earning large sums of interest on overseas loans, they have become net payers of interest.

In the third quarter of 1989, Britain benefited from £750m of additional earnings by oil companies. That arose due to a one-off revaluation of their overseas stocks. Without this gain, Britain would probably have had a deficit in the three-month period on the flow of interest, profits and dividends – instead of the normal surplus.

Is Britain's invisibles surplus likely to leap upwards in the 1990s? The omens are not particularly good. As Britain gradually runs down its overseas assets, payments from interest and related financial transactions related to these assets are likely to decrease. And lack of progress in discussions on trade barriers related to services, part of the aborted talks on the General Agreement on Tariffs and Trade, has made many UK service companies pessimistic about increasing their overseas earnings in the next few years.

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Dagenham plant

BZW lays off 39 staff

Brixton prison condemned

# 486
# plus
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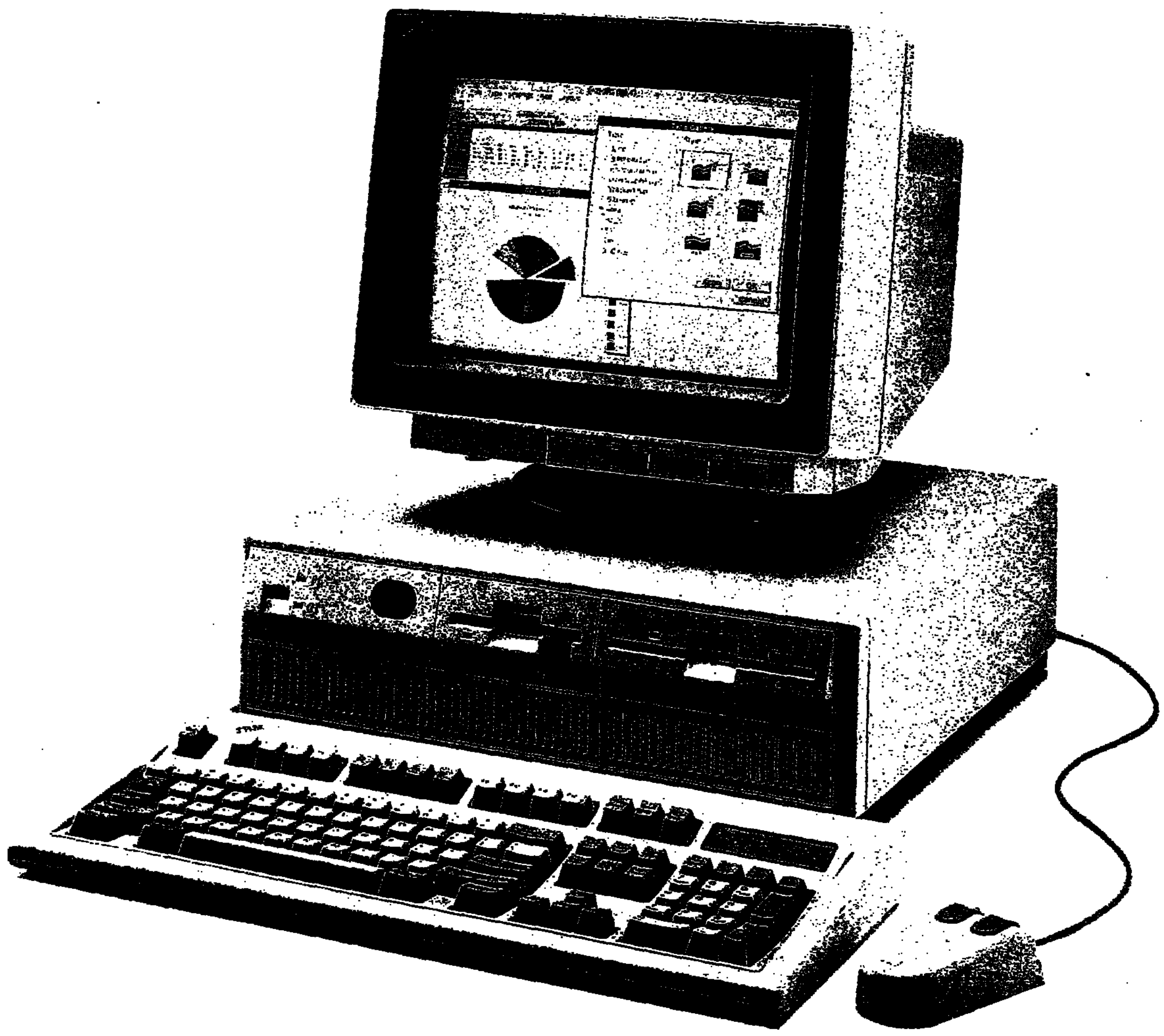

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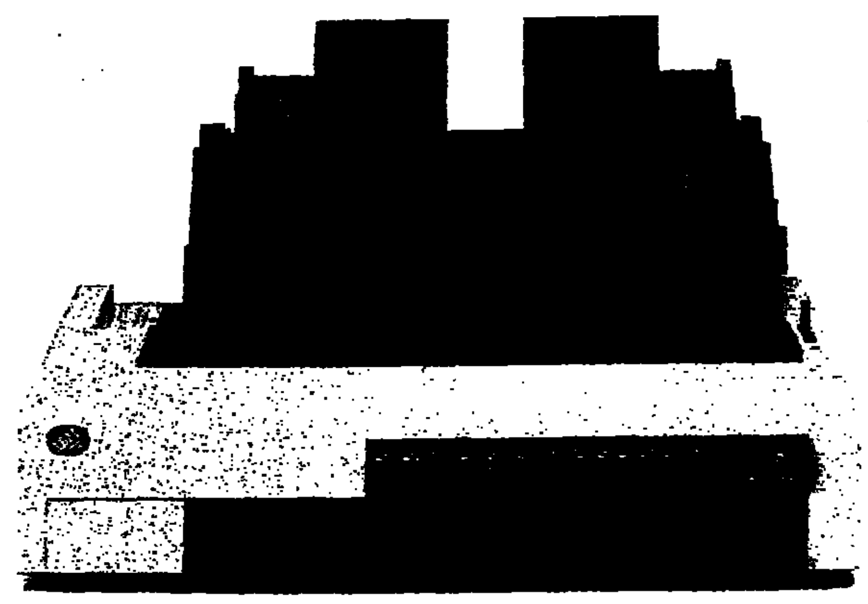

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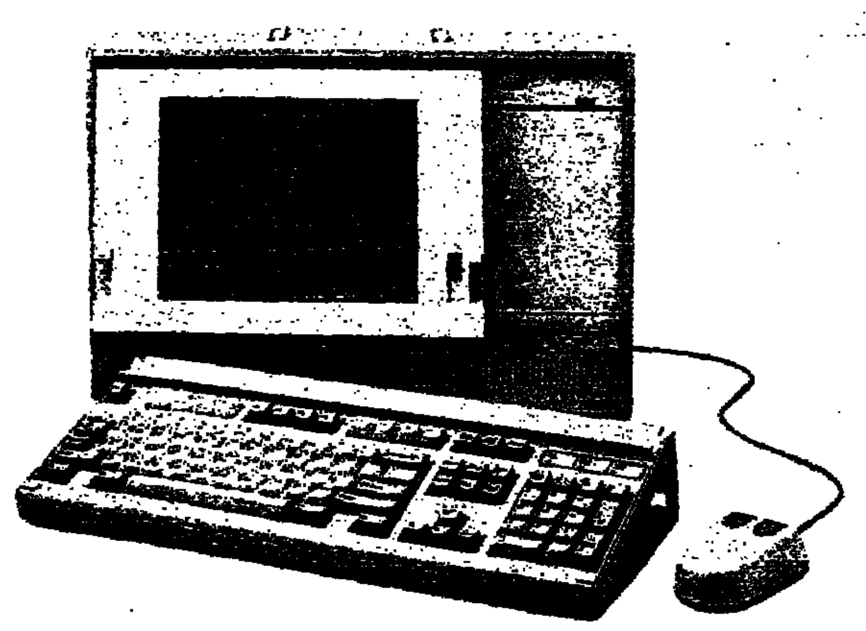

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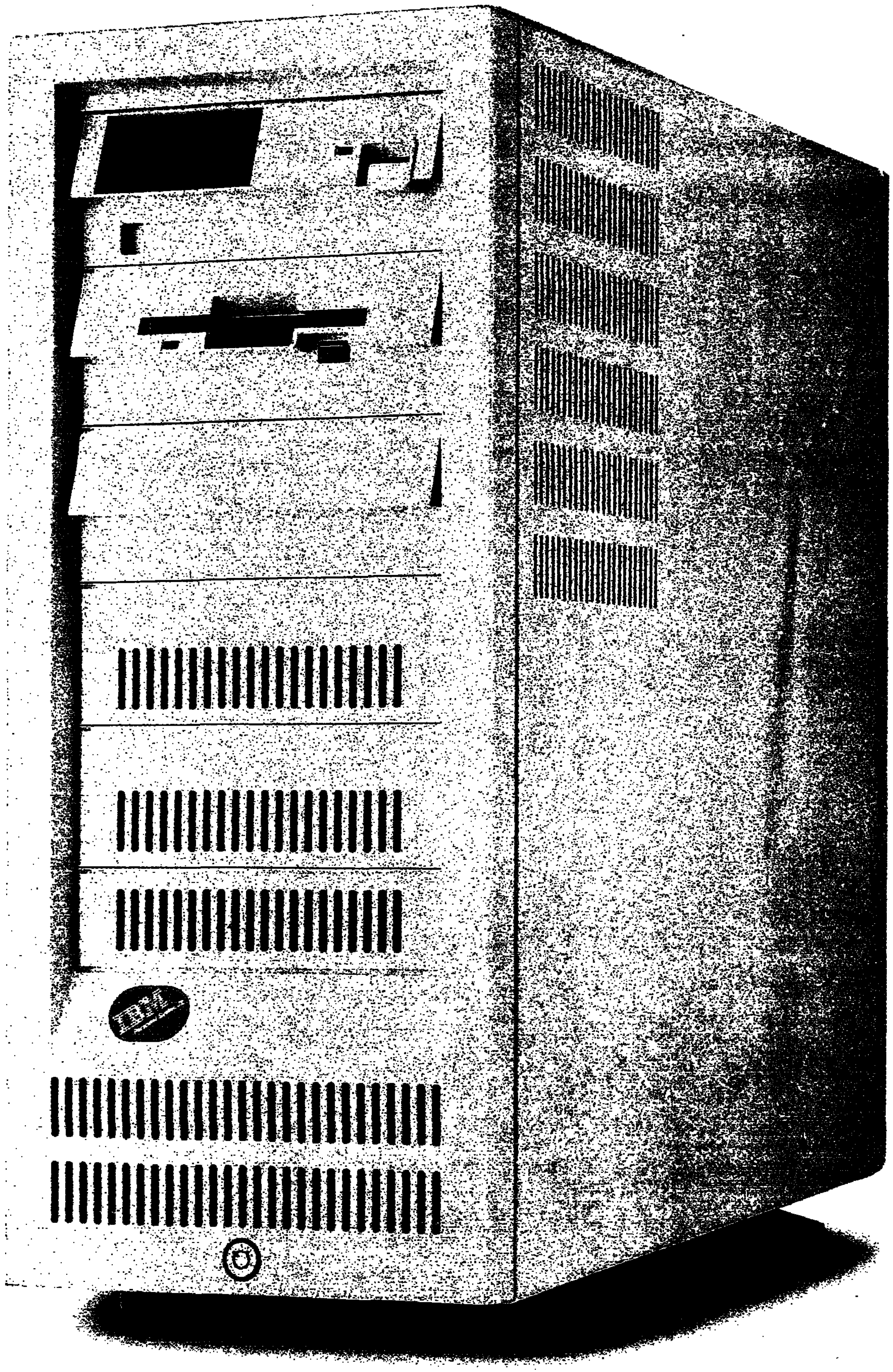
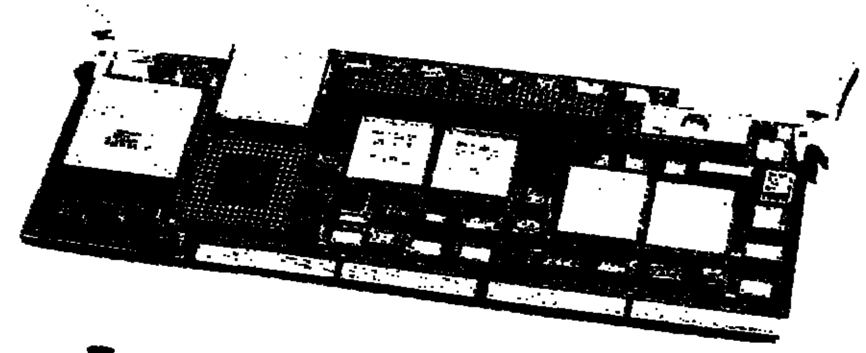
Model 95 offers you an immensely powerful, high-performance and high-capacity LAN server, while the updated PS/2 Models 80-386 and 65 SX offer quality, lower-cost server alternatives.

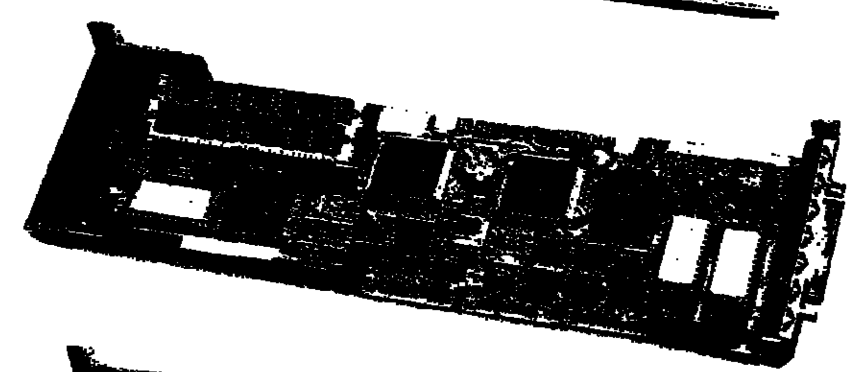
You can effectively access the data on your network with the new PS/2 Model 55LS – a cost-efficient workstation with no disk drive, so confidential information can't be removed from the system. (Equally, neither can viruses be added.)

The IBM Token-Ring network optimises the hardware connection between your LAN server and the workstations.

The new Model 55LS comes configured with either a Token-Ring network adapter or an Ethernet





adapter, offering you a choice of network standards.

While powerful new IBM OS/2 LAN Server version 1.3 provides an efficient low-cost LAN software solution.

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## MANAGEMENT

# Better tuned to stay on the road

**John Griffiths** describes how ERF, close to bankruptcy ten years ago, has reshaped itself to withstand a plummeting market

If Peter Foden is a worried man, he shows not the slightest sign of it.

Theoretically, he should be gnawing his fingernails as chairman and chief executive of ERF (Holdings), the UK's last publicly-quoted independent heavy truck-maker.

The UK truck market on which ERF is overwhelmingly dependent has plummeted by nearly one-third this year and by one-half compared with two years ago.

Big truck-makers like the Anglo-Dutch DAF have warned of big financial losses ahead, and job and production cutbacks have spread across most of the industry.

In almost exactly the same market circumstances a decade ago, ERF teetered at the very brink of bankruptcy.

Its product range was chaotic – ERF would meekly fit whatever make and combination of engine/gearbox/axle was demanded by an individual customer's whim.

Its production processes were inefficient. And it was unable to match the big discounts and other marketing support employed by larger rivals desperate, like ERF, to keep assembly lines moving.

Sales plunged. Output came to a virtual standstill. The workforce was more than halved and only particularly understanding bankers allowed ERF sufficient time to pull through the crisis.

Yet ten years later, it is ERF which has survived to retain its independence and thumb its nose at the fates of Bedford – sold off to the entrepreneur David JB Brown by General Motors; Leyland Vehicles, now part of DAF; and Ford's truck operations, placed into a joint venture with Italy's Iveco.

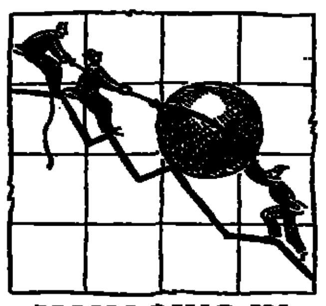
And Foden, a burly, moustached figure whose well-developed sense of humour belies an appearance which is the archetype of the hard "muck and brass" North Country businessman, insists that ERF's survival is not in doubt despite the severity of the current recession.

"We've seen it all before. This time round, I'm perfectly comfortable – if you allow for the fact that no one likes having to introduce lay-offs.

"We've got lots of cash. We're looking three years ahead. We don't believe in 'short termism', and a downturn of 12 months or so is something we can now take in our stride."

Even before disclosing its 1990 interim results on Wednesday, Foden was making no attempt to disguise the fact that there would be a deepening of the losses into which ERF plunged in the second half of its financial year (ended last March 31), after four years of sustained profitability which saw a record £7.83m, pre-tax, achieved the previous year.

Before the market slumped, analysts had been predicting



**MANAGING IN RECESSION**

profits of up to £10m. Instead, the £3.27m for 1989 overall disguised a second half loss of £474,000.

The market was well prepared, therefore, for Wednesday's disclosure of an interim loss, before extraordinary items, of £1.51m and a halving of interim dividend, to 2p per share. The fact that ERF's share price closed that evening up 5p at 80p indicated that the market shares a little, at least, of Foden's confidence, although, like most truck-makers, the closing price was but a shadow of the 500p-plus levels reached in 1988/89.

Despite the recent one per cent cut in base rate, Foden and most others in the industry maintain that further cuts of two or three percentage points will be needed before truck operators even start to regain confidence.

Most in the industry will now be pleased if there are signs of upturn by the second half of next year.

Foden can point to ERF's legacy of the mid- and late-1980s boom years – accounts showing consolidated net assets of £29m and no borrowings – as evidence of the Sandbach, Cheshire-based company's ability to stay on the road, helped by a rights issue last year which raised £6.1m, the recent sale of a plastics subsidiary for £4.5m and £2m from selling a 37.7 per cent stake in a South African truck-assembly subsidiary.

Nor, he declares vehemently, is there the slightest chance of scaling down a recently-launched £6m development and retooling programme, intended mainly for a new generation of cabs to be launched in less than two years' time.

"Short-termism is not practical in an industry where product development needs long-term investment in terms of monetary and management resources."

The contention that ERF currently is on top of the situation is given some support by deft footwork carried out as far back as August last year, when truck sales overall still seemed to be booming. Nevertheless ERF's board decided to cut 65 of its 1,100 jobs and start reducing production in expectation of a downturn.

There was little time for rivals' rumour-mongering, before they were starting down the same cutbacks road. Since then, ERF has reduced its workforce to just under 800, partly through natural wastage; output is battened down to seven trucks a day from a peak of 21 two years ago; and there will be four-day working in January.

Even ERF's loss of market share at a greater rate than the market itself is falling appears to be viewed pragmatically.

Rod England, ERF's marketing director, describes some of the deals now being offered by some truck-makers desperate to keep production lines moving as absurd – up to 20 per cent off list prices, with other incentives worth several thousand pounds more, on £50,000 heavy trucks.

Peter Foden: "A downturn of 12 months or so is something we can take in our stride"

Foden stresses two main factors as having changed ERF's viability. The first is the product rationalisation in the early 1980s, which, in Foden's own words, "stopped us being a fruit salad maker".

Out went the wide array of engines, gearboxes and axles, from a variety of manufacturers, with which ERF had been willing to make virtually customised trucks for individual operators – at a high, but unrecuperable, cost.

In came a more standardised truck range built around Cummins engines, Eaton transmissions and Rockwell axles on a more modular basis.

Individual truck operators can be as subjective and prejudiced about truck engines and gearboxes as any car enthusiast, and there were plenty in the commercial vehicle world who predicted that ERF would have a customer revolt on its hands. As it turned out, deserters from the marque have been few.

And the simplified production processes also made easier the second key decision: to cut the number of operations undertaken in-house.

It still makes the cabs for its own larger trucks, but buys in those for its smaller ranges from Steyr-Daimler-Puch in Austria. In most respects, it has become just like the majority of North American truck-makers in that it is now essentially an assembler of other manufacturers' parts. As a consequence, says Foden, "we do not have huge machine shops and foundries; all we have to do is turn off the tap from our suppliers."

The tap is now turned to a relative trickle. By the time this year is out, ERF will have done well to produce and sell 2,000 trucks.

One seemingly obvious counter-measure for ERF is to develop export markets.

But ERF currently is much more concerned with conserving resources than committing them to the uncertain success of an export drive.

Such caution is understandable. Foden himself readily admits ERF had a "horrendous" time in the early 1980s truck market collapse.

Instead, ERF is endeavouring to maximise revenues from UK operations. To that end it has set up two wholly-owned distributorships – currently it owns two out of a total of 25 – and may set up more provided, says Foden, independent distributors don't feel ERF is "stepping on their toes".

Despite such efforts, ERF clearly is going to have its work cut out to keep losses to manageable proportions.

Presuming it succeeds, ERF does not rule out an orderly expansion into the Continent in the longer term, as the single European market takes shape – and particularly if the UK's 7.5 tonne breakpoint for operators' licences disappears and there is a substantial market shift from the highly popular 7.5 tonne sector to 10-12 tonnes. "That's close to what we already make – we could broaden down to 10 tonnes," says Foden.

Customer pressures could require ERF to set up a continental shop more seriously anyway. "We know a lot of our customers are looking at Europe. We've already got arrangements with Cummins service points in Europe, and we're looking at ways of improving service availability further."

One solution, he suggests, could be a joint venture, certainly in distribution and finance, and maybe on major future components like cabs.

Foden himself is at something of a loss to explain the tenacious grip ERF has maintained on its market niche. Like any other truck-maker he talks of producing a vehicle "the customer wants to buy.

"It's competitive, and not just on price, but to operate. The cost of parts is low and so is downtime." Another factor, he suggests, is the ability of a small company to respond more quickly to customer needs than a larger.

Not least of its assets, however, he acknowledges, is that there are still a lot of operators who like "buying British" from a small company determined to retain its independence.

*Previous articles in this series were published on November 21, 30 and December 4.*

# Efficiency as the only benchmark

**Hazel Duffy** considers the consequences for public services management

*All the results of good nursing can be spoiled by petty management.*

Florence Nightingale, 1859

Christine Hancock, general secretary of the Royal College of Nursing, describes the gulf between managers and nurses in today's National Health Service more graphically than the eminent founder of her profession.

"We don't even have a common language," she told a recent seminar on the issues facing managers and professionals. She illustrated her terse observation by referring to the approach taken by a nursing team in a geriatric hospital who wanted the seats of the toilets raised for the comfort of their charges. Management was silent to their pleas, until the team presented the request as the means to cut down on the amount of soiled laundry, and therefore on the laundry bills. The argument won the day.

There is, of course, another side to the coin. The resistance to change by the professionals – particularly the doctors – is legendary in the health service. Managers criticise doctors' behaviour, accusing them of "professional tyranny".

Henry Mintzberg, of the McGill University faculty of management, and member of the King's Fund College, makes a special study of "organisations". He identified the problem as doctors wanting to control every decision the hospital makes, but also wanting to be outside the hurly-burly of day-to-day administration. They then cause havoc when changes are brought in.

Managers, however, often do not appreciate that professionals approach varied tasks in different ways, suggested Mintzberg. When a patient has a cardiac arrest, everybody knows what to do. They work as a team. But medical practice also requires professionals to be innovative. Then people need to be given scope to work independently.

But governments are unhappy with any suggestion of a discretionary approach. They want to control organisations, so they set up bureaucratic machines to implement budget controls, and that means hierarchies, and sets of procedures, which antagonise the professionals.

It is not only the British government – in some cases a leader in public sector management – which falls into this pit. Mintzberg drew the parallel with education in the US, where, he claimed, centralised curriculum planning "has virtually destroyed education. ..nothing you can do outside the classroom will make an ineffective teacher more effective, but it will demotivate a good teacher. The only thing that government can do is to find the best teachers."

The efforts of government to gain control over managers in the public sector dominated the 1980s scene, said Sue Richards, a director of the Office for Public Management, which organised the seminar.

But sometimes politicians' efforts had unforeseen consequences. Take the 20 per cent manpower cuts imposed on the Central Statistical Office, justified in the name of efficiency. One serious, but unforeseen result, was that Treasury forecasting suffered.

The problem was that efficiency was too often seen as the only benchmark in public sector management, and it had to be centrally directed. If managers are ever to get anywhere, they must go "with the grain of the professionals," said John Stewart, professor of local government at Birmingham University.

Take teaching, for example; the government this week decided to subject teachers to a formal assessment programme – thus indicating that it does not trust the teachers to devise their own measurement.

Unlike the private sector, where the customer is an individual who purchases the product or service, there are several "customers" of the classroom – child, parent, potential employer – who all have needs to be met.

If politicians are really serious about giving the customer of the public services a better deal – and that includes almost everybody in the UK – it has to bridge the yawning gap between the people who manage and the people who practice in the public sector.

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# Nissan Primera. Compare this to what you call performance.


Nissan announces the Primera.

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This means we can offer you the following numbers for comparison.

The Multi Point Injection 2.0E engine: 150 hp and a top of 220 km/hr. The Single Point Injection 2.0i engine: 115 hp and a top of 200 km/hr.

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And as soon as you sit back and think about the bumper-to-bumper 3 year warranty we give you.

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There now seems to be only one question left unanswered: when would you like to compare the Primera?

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# Employment and orders crumble

**By Vanessa Houlder**

"ARCHITECTS' practice ceases trading" . . . "Surveyors feel the pinch" . . . "Construction industry warns of collapse". Headlines like these have been thick on the ground in recent months, leaving few doubts about the pressures on property-related businesses.

In the construction industry, the failure of companies such as Farr, J M Jones, Rush & Tompkins, Brims Holdings and Emsons, is the tip of the iceberg. Up to 30,000 small and medium-sized builders could stop trading this year, according to a survey by Barclays Bank. The Building Employers Confederation has estimated that 150,000 construction jobs will be lost this year and next as a result of the recession in the housing and commercial property markets.

Similarly, for architects the squeals of the quoted sector are echoed by countless smaller firms. D Y Davies, a south-east firm warned recently that it would make a interim loss. The Company of Designers has warned that it expects to make a loss for the year.

Conditions have deteriorated in the past few months. Stollar WRM Associations, a long-established Bath firm of architects which recently went into liquidation, had enough business to last it a year three months ago. Within six weeks, every major project was cancelled and the firm went under.

Architects thrown on the job market may have to rely on their own resources. "A lot of people who have been laid off have started up on their own," says Mr Chris Palmer, a spokesman for the Royal Institute of British Architects. Self-employment is common in the industry and start-up costs are low. Moreover, architects tend to be generalists and can switch their attention to what little work exists.

Surveyors have also sunk deeper into the mire in the past few months. So far, the only quoted surveyor to have announced the result of the last six months is Baker Harris Saunders, which this week announced a drop in pre-tax profits from £609,000 to £456,000. Yet six weeks ago, Sinclair Goldsmith Holdings revealed that its figures for the six months to the end of November will show "a sizeable loss".

Some companies have been much worse hit than others. Generally, the best placed are those with valuation, management and rating business, whereas the hardest hit have been those who depend on income from lettings and deals. These companies are having to wait longer for their fees (up to two years, according to Baker Harris Saunders) because buildings are taking longer to let. Bad debt problems are also prominent, particularly among those dealing with fringe developers. Surveying firms on the list of Citygrove's creditors were owed a total of £380,000.

Small and medium-sized firms are particularly badly affected. If buildings are difficult to let, most landlords will tend to use the best-known agents. "Work is polarising to bigger firms at the expense of small firms," says Mr Michael Baker, managing director of Baker Harris Saunders. "A lot of city firms will be reduced by a half," he adds.

Surveyors have made widespread redundancies. Baker Harris Saunders has shed 15 per cent of its staff since the peak – a fall which is "in line with the competition". Many companies have drastically scaled down their graduate recruitment, to the despair of many newly-qualified surveyors. "It is a very bad time to be job hunting," says Monica Idnani, a consultant at MSL Recruitment Consultancies. "Graduates will take anything they can get."

Expectations may be scaled down throughout the industry. "One of the problems with our business is that basic salaries are too high," says Mr Baker. "The need for good, committed people meant that 28-year-olds earn £60,000, £70,000 a year. Long term, the industry has to look at that."

***

Property company accounts may be true and fair but that, for many of them, is where their virtues end. Different formats and accounting policies hinder comparison between companies and too often, the initial impression is greatly at odds with that given by a careful perusal of the notes.

It is a long-standing problem that has become even more acute in a testing market. So much so that Stoy Hayward, the accounting firm, recently asked a team of investment analysts, accountants and academics to find the most informative set of accounts.

The winner was MEPC, the UK's second largest property company. Its annual accounts are crammed with lengthy reviews, notes to the accounts (14 pages in the 1990 version), details of every building valued over £5m, an analysis of its portfolio as well as a plethora of unusually pretty pictures.

It is not alone. Several other large companies, most notably Land Securities and Capital & Counties are commendably informative. However, the accounts of many smaller companies – with the honourable exception of A & J Mucklow, a Midlands-based developer and investor in industrial property, which was commended in the award – range from the reticent to the confusing.

The main shortcomings of property accounts concern:

● Capitalisation of interest. Although almost every property developer capitalises interest (on the grounds that interest charges are an inevitable cost of erecting a building) there is little unanimity about when to stop. Some auditors allow it to continue until the income from the development exceeds the interest cost; others decide to call a halt, say, a year after the building is completed. Others still, allow capitalisation until a certain percentage of space has been let in the building. For the analyst, confusion reigns – particularly as the disclosure of the policy used is often inadequate.

● The information given in the chairman's statement. This is often too historic, with insufficient attention given to future prospects or to development finance.

● Inadequate breakdowns of income and assets by location and type of property.

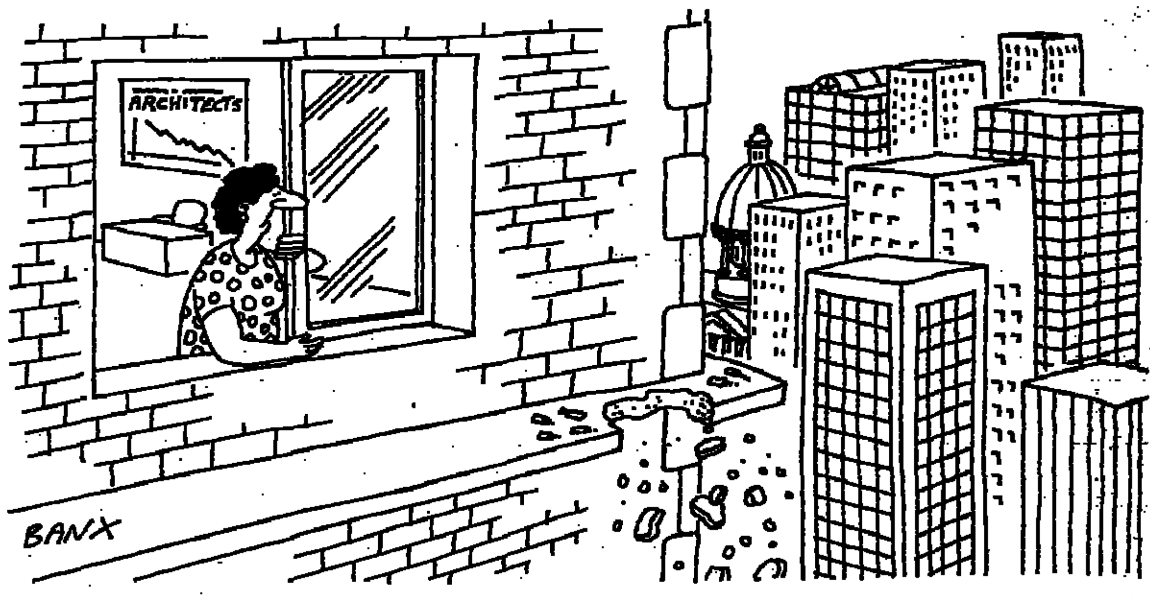
● Off-balance-sheet finance. By forming associate companies to accommodate joint ventures, some companies gave just the sketchiest details about their debt. The new accounting standard that takes force in the new year will insist on greater disclosure. A promised new accounting standard, born out of Exposure Draft 42, may clamp down even more on off-balance-sheet anomalies.

● Treatment of sales of investment properties. Sometimes these are included in the profit available for dividend, sometimes as extraordinary items.

● Lack of detailed information. For example, many companies do not discriminate between net and gross income.

Most observers claim that the obfuscation of accounts is not deliberate – and indeed would take little effort to put right. "Most companies have this data and it would not be too difficult to put it in the accounts," says Richard Barkham of the University of Reading.

However, on some matters, further action is required by the accounting industry. For instance, it may be that the lull in the development cycle in 1993 is a good time to tighten up the rules on capitalised interest. In the meantime, Reading University will publish a paper in the New Year giving its recommendations for more informative accounts.




**CAPITAL GROWTH (%)**

| | Retail | Office | Industrial | All Property |
|---|---|---|---|---|
| Year to Oct 90 | -11.9 | -10.2 | -6.2 | -10.2 |
| Quarter to Oct 90 | -4.0 | -5.3 | -2.7 | -4.3 |
| Month of Oct 90 | -1.3 | -1.6 | -1.0 | -1.3 |

Source: Investment Property Databank

## TECHNOLOGY

**Louise Kehoe** on what is at stake for Amgen as it comes to the end of a notable week in its history

# Cliffhanger in a biotech tale

For Amgen, today is the day of reckoning. The US Food and Drug Administration advisory committee is scheduled to consider approval of the biotechnology company's second pharmaceutical product, a drug that is expected to become the biggest selling biotech product to date.

Approval would confirm Amgen's role as the world's leading independent biotech company and ensure continued steep revenue growth. It could also set the company on a path towards achieving its ultimate goal of becoming a leading independent multinational pharmaceuticals company, the first to emerge from the biotech industry and one of the few top drug companies formed in the past 50 years.

Amgen's ambitions fly in the face of the prevailing trend in the biotechnology industry toward mergers and consolidation. According to a recent survey conducted by Ernst & Young, fully 40 per cent of US biotechnology companies expect to be acquired within the next five years.

The trend has been set by industry leaders. Genentech, the largest biotech company, sacrificed its independence earlier this year when it merged with Roche Holding to gain a deep-pocketed parent as well as the advantages of an established sales and marketing organisation.

Similarly, industry pioneer Cetus recently announced that it has abandoned its dream of becoming a leading independent pharmaceuticals company and is actively seeking "strategic partners".

But Amgen is not deterred. "Absolutely, our goal is still feasible. It becomes more feasible with every passing month," claims Gordon Binder, Amgen's chairman and chief executive. So what makes Amgen different?

The first requirement is great products, says Mr Binder. Partly through luck, he acknowledges, Amgen has hit two "home runs" with its first products. First-year sales of Amgen's Epogen (erythropoietin), a drug to treat anaemia in kidney dialysis patients, were over $190m, setting an industry record.

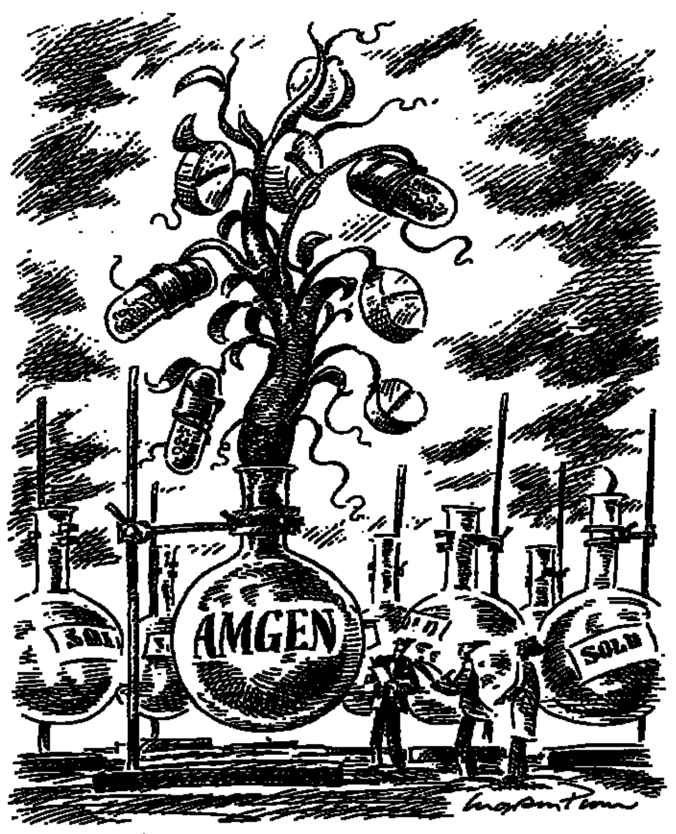
Neupogen (recombinant granulocyte colony-stimulating factor), the subject of the FDA advisory committee hearing this week, could be an even bigger seller, though it is expected to take off more slowly. The new drug helps to boost the body's immunity to bacterial infections and has been extensively tested among cancer patients undergoing chemotherapy. While chemotherapy kills cancer cells, it also damages the white blood cells that normally fight off infections. Neupogen helps to restore immunity allowing heavier doses of chemotherapy at lower risk of infection.

The drug may also prove useful in boosting the immunity of Aids patients and those suffering from leukemia. But bringing powerful new drugs to market requires far more than good luck. Amgen's secret is "careful planning", Binder claims. "We have tried from the very beginning to plan ahead. We have always had the attitude that action plans are supposed to happen. That is an orientation that is lacking at many biotechnology companies."

Amgen's approach to one of the most critical problems facing biotechnology companies – how to decide when and whether to abandon a line of research or step up development efforts – demonstrates the mix of financial discipline and scientific expertise that the company brings to the biotechnology business.

When laboratory results begin to show promise the company forms a "product development team" jointly chaired by a scientist and a business executive, typically a marketing manager. This team remains responsible for the potential product throughout ensuing research and development, trials, clinical studies and the approval process.

Producing successful products is only part of the challenge, however. Like all biotech companies, Amgen must constantly balance Wall Street's demands for short-term profits with the need to pour funds into long-term, often highly speculative, research. It is this conundrum, more than any other factor, that has convinced some industry analysts that the best route for biotech companies is the one taken by



Genentech – merger with an established pharmaceuticals company.

To date, however, Amgen has managed to keep both the balance sheet and the research side healthy. Amgen has turned a small cumulative net profit since its initial public offering in 1983. For the first six months of fiscal 1991, revenues were $150m, up from $68m in the first half a year ago. Net income rocketed to $25.4m from $4.7m. This is in sharp contrast to the financial performance of other biotech companies such as Cetus, which has racked up cumulative losses of over $168m over the past seven years.

Another critical constituency for Amgen is government regulation. Throughout the years of clinical trials that must be conducted before the FDA considers approval of new drugs, Amgen has spent heavily to maintain close relations with regulators.

Once products are approved by the FDA and foreign regulators, marketing and sales operations begin. Over the past 18 months, Amgen has built up one of the larger US salesforces in the drug industry and the company is in the process of creating its own sales operations in Europe.

Amgen is gradually weaning itself from reliance upon marketing partnerships with established pharmaceuticals companies. Amgen shared sales rights to Epogen with Johnson & Johnson in Europe and Kirin Brewery in Japan.

With its second product, Neupogen, Amgen will extend its own sales and marketing to cover North America and Australia and collaborate with Hoffman-La Roche in Europe as it builds up its own European sales force. The co-operative arrangement will "show Amgen the ropes in Europe for selling subsequent products there on its own," explains Harry Hixson, Amgen president and chief operating officer.

Maintaining a flow of new products is essential if Amgen is to achieve its ambitions. Some will come through licensing arrangements, others Amgen will develop in its own research labs.

Yet while Amgen appears to be heading in the right direction, the company still faces several potential roadblocks. Like most US biotech companies, Amgen has become enmeshed in legal battles. The company is locked in a patent dispute with Genetics Institute over Epogen. An appeals court ruling, expected early next year, could end Amgen's exclusive US rights to sell Epogen.

A broader issue facing Amgen and other biotech drug makers is the rising concern in US government and the health care industry circles over drug prices. While the biotech industry maintains that profit margins must be high in order to sustain the high costs of research and development, politicians and health care providers are accusing the biotech industry of overpricing.

Binder's view is, "When you develop a drug that really works well, you are bound to be seen as a cause of rising health care costs because doctors will want to prescribe it and people will want to buy it." He concedes, however, that drug prices will be a big issue in the future.

Amgen's immediate challenge, however, is to bring Neupogen to market. The company is quietly confident that it will win FDA approval for the drug. But nothing is certain. Just four months ago, the biotech industry was hit by a shockwave when a similar FDA advisory committee called for further evidence of the efficacy of two biotech drugs that many thought were certain to be approved.

Any delay in approval for Neupogen would be a serious setback for Amgen that could throw the company off track and have repercussions throughout the biotech industry. For all of its careful planning, Amgen can now only wait and see.

## WORTH WATCHING

by Della Bradshaw

### Talking point for machines

ALMOST every piece of equipment, from the largest item of industrial machinery to the domestic coffee maker, has an electronic controller embedded in it.

Now a Californian company has developed a controller which can not only supervise the individual machine into which it is built, but enables the machine to talk to others which use the same controller over a network.

The Neuron chip, from Echelon Corporation, of Palo Alto, could be used to monitor and control equipment in a factory, office building, or home. Up to 32,000 controllers can be connected in a single network.

Small networks of Neurons could also be incorporated into individual products, such as photocopiers or lighting systems. Eventually, a handful of Neurons could be used to control all the functions in a motor car.

Echelon believes the low cost of the chip – the initial price will be around $10, but could eventually drop to $1 – will prove attractive. Echelon has kept the cost down by combining the latest semi-conductor, computer and communications technologies on the chip.

Motorola, of the US, and Toshiba, of Japan, will be making the controller chips, which should be available early next year.

### Coded card will guide the blind

BLIND people are being given an electronic helping hand to assist them cope with an increasingly technological world, writes Lynton McLain.

The Royal National Institute for the Blind has launched React to help visually handicapped people find and use public machines, such as pelican crossings, ticket gates or cash dispensers.

React is a electronically coded card made by GEC-Marconi and is designed to trigger recorded messages in machines in public places. Transceivers in the designated machines emit a continuous radio signal. Circuits in the card reflect the signal back to the machine, triggering the message.

A pilot scheme is underway at London's Great Portland Street tube station, in which someone walking towards a ticket gate hears a message stating whether it is an entrance or an exit. A second trial next spring will enable people to use the card to get more time to cross busy roads. Transceivers fitted to traffic light will emit a sound when a person with the card is within a few feet of the post and change the lights to red.

### Oil container with green credentials

PLASTIC containers of motor oil have never had very good "green" credentials – until now that is.

Esso is now packaging 5 litres of oil in a plastic container which has a core of recycled post-consumer material – plastic which has been used in bottles and other generally available containers.

The containers, made by Plysu, of Milton Keynes, have a three layer wall. The inner layer, which is in contact with the oil, is made of new plastics, as is the outer layer, to ensure that the pigmentation can be controlled to give an attractive pack decoration. The centre layer of the sandwich uses recycled post-consumer material and other recycled plastic. About 25 per cent of the total plastic content of the container is post-consumer material.

### Programmed for the business user

TRAILING around the latest computer exhibition to find the piece of hardware or software you need to run your business can be wearing on both the feet and the nerves. Even more trying is to discover after you have bought the equipment that another item would have done the job more efficiently.

Now a Lancashire company can help find that elusive item through a database on which is stored information on 5,500 computer systems suppliers, 25,000 proven software packages and approved maintainers.

Maurice Hamlin Associates, of Chorley, has spent 12 years and £2m in developing the database. Information can be retrieved through a phone call or, for larger companies, by tapping directly into the database over a phone line.

### Scales of digital justice for baby

ONE hundred and fifty thousand solar-powered weighing scales will soon bring an appropriate high-tech solution to the problem of weighing infants accurately anywhere in the world, writes Geoff Tansey.

The scales are being produced by Unicef, which has been given the rights to the scales by the Australian International Development Assistance Board (AIDAB).

The new scales, which look like bathroom scales, use a solar cell or battery for power. A rust-proof enclosure, expected to last at least 10 years, covers the measuring balance. This is linked to a converter that produces a digital display of the baby's weight.

The mother is weighed and then the mother and baby together, with the scales calculating the difference between the two.

Unicef is discussing manufacture with various companies to produce the scales over the next four years.

### New window of opportunity

THE latest graphics software, Windows 3, is used in the most serious business applications. It is also being used as the latest executive toy.

For those executives who like to play backgammon, E F Dickey, of Illinois, has exploited the graphics capabilities of Windows to produce a highly recognisable backgammon board. The interactive game is being sold in the UK by Windows for the World, of Lewes, Sussex, for £29.50.

Contacts: Echelon: US, 415 855 7400; UK, 071 431 1600. RNIB: UK, 071 388 1266. Plysu: UK, 0908 582311. Maurice Hamlin Associates: UK, 0257 262776. AIDAB: Australia, 062 76 40 13. Windows for the World: UK, 0273 483979.



## LEGAL NOTICE

NOTICE OF PENDENCY OF CLASS ACTION, PROPOSED SETTLEMENT OF CLASS ACTION, SETTLEMENT HEARING, AND RIGHT TO APPEAR AT HEARING TO BE HELD ON JANUARY 14, 1991

SUMMARY NOTICE

TO: ALL PERSONS WHO ACQUIRED THE PUBLICLY TRADED SECURITIES OF FIRST INTERSTATE BANCORP DURING THE PERIOD FROM OCTOBER 21, 1987 TO NOVEMBER 1, 1990, OR WHO ACQUIRED THE SECURITIES OF FIRST INTERSTATE BANCORP PURSUANT TO THE PROXY/PROSPECTUS AND REGISTRATION STATEMENT ISSUED IN CONNECTION WITH FIRST INTERSTATE BANCORP'S PURCHASE OF ALLIED BANCSHARES, INC.

THE DEFENDANTS HAVE AGREED TO A SETTLEMENT OF THE LITIGATION WHICH PROVIDES FOR BENEFITS TO CLASS MEMBERS IF THE SETTLEMENT IS APPROVED BY THE COURT. THE SETTLEMENT FUND WILL BE $9,200,000 (PLUS INTEREST ACCRUED THEREON).

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Central District of California dated November 27, 1990, that a hearing will be held on January 14, 1991, at 10:00 a.m., before Judge Rea, United States District Court for the Central District of California, at 312 N. Spring Street, Los Angeles, CA 90012. The hearing is to determine whether the proposed settlement of the consolidated Class Action against First Interstate and certain of its officers and directors should be approved by the Court as fair, reasonable and adequate, whether the application for attorneys' fees, reimbursement of expenses and payments to the named plaintiffs should be approved, and whether the consolidated actions should be dismissed on the merits and with prejudice.

IF YOU PURCHASED OR ACQUIRED FIRST INTERSTATE BANCORP SECURITIES AS DESCRIBED ABOVE, YOUR RIGHTS WILL BE AFFECTED AND YOU MAY BE ENTITLED TO MONEY. If you have not yet received the "Notice of Pendency of Class Action, Proposed Settlement, Settlement Hearing, and Right to Appear," which more completely describes the Settlement and your rights thereunder in detail, and a Proof of Claim form, you may obtain copies thereof by identifying yourself as a member of the Class and by writing to:

| | |
|---|---|
| William S. Lerach, Esquire<br>Milberg, Weiss, Bershad, Specthrie & Lerach<br>2000 Broadway, Suite 2000<br>San Diego, CA 92101 | Richard D. Greenfield, Esquire<br>Greenfield & Chimicles<br>One Haverford Centre<br>Haverford, PA 19043 |

Lead Counsel for the Class

To participate in the settlement, you must submit a Proof of Claim no later than March 15, 1991. IF YOU DO NOT SUBMIT A PROPER PROOF OF CLAIM FORM AND HAVE NOT EXCLUDED YOURSELF FROM THE CLASS, YOU WILL NOT SHARE IN THE SETTLEMENT BUT YOU WILL BE BOUND BY THE FINAL JUDGMENT OF THE COURT.

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE FOR INFORMATION.

### COMPANY NOTICE

AIP FINANCE N.V.

US $20,000,000 GUARANTEED FLOATING RATE NOTES 1995

The interest rate applicable to the above Notes in respect of the period commencing 14th December 1990 will be 9⅜% per annum. The interest amounting to US $230.12 per US $5,000 principal amount of the Notes and to US $[illegible] per US $100,000 principal amount of the Notes will be paid on 14th June 1991 against presentation of Coupon No. 6.

BANK LEUMI (UK) PLC
Principal Paying Agent.

bank leumi

### PERFECTIONIST PLASTERING LIMITED

Registered number [illegible]
Nature of business 23
Trade classification General construction
Date of appointment of administrative receivers [illegible]
Name of person appointing the administrative receiver(s) Midland Bank Plc
Martin Clive Bird and Phillip Rodney Sykes
Joint Administrative Receivers
(office holder no(s) [illegible])
20 Old Bailey
London
EC4M 7BH

### CLUBS



### COMPANY NOTICE

CANADIAN PACIFIC LIMITED

At a meeting of the Board of Directors held today, the following dividends were declared:

ORDINARY SHARES

A final quarterly dividend of twenty-three cents (23¢) Canadian per share on the outstanding Ordinary shares in respect of the year 1990, payable on January 28, 1991, to holders of record at the close of business on December 27, 1990.

PREFERENCE SHARES

A final semi-annual dividend of [illegible] per Canadian Dollar Preference Share and [illegible] pence per Sterling Preference Share on the outstanding Preference Shares in respect of the year 1990, payable on January 28, 1991, to holders of record at the close of business on December 27, 1990.

BY ORDER OF THE BOARD,
D.J. DEBLAIS
VICE-PRESIDENT AND SECRETARY
MONTREAL, December 10, 1990

# ARTS

## Arts Week

| F | Sa | Su | M | Tu | W | Th |
|---|---|---|---|---|---|---|
| 14 | 15 | 16 | 17 | 18 | 19 | 20 |

## THEATRE

### London

**The Rehearsal** (Garrick). Jean Anouilh's play directed by Ian McDiarmid with costumes by Jasper Conran in a production that has received excellent reviews (071 379 6107).
**Aspects of Love** (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. (839 5972).
**Hamlet** (Lyric Hammersmith). Cheek by Jowl's idiosyncratic production, directed by Declan Donnellan (071 839 2244).
**Absurd Person Singular** (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years – a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until January.
**Man of the Moment** (Globe). Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667).
**Miss Saigon** (Drury Lane). Spectacular and successful musical about a love story between an American GI and a Vietnamese girl during the fall of Saigon in 1975 (071 836 8108).
**Into The Woods** (Phoenix) Julia Mckenzie shines as the witch in Stephen Sondheim's compendium of fairy tales. The title song is more memorable than a storyline that descends into recrimination and chaos as the characters' dreams turn sour (867 1004).
**Cats** (New London). The formula of T.S. Eliot words, Lloyd Webber music and feline dance has made this Britain's longest running musical (405 0072).
**The Rocky Horror Show** (Piccadilly). Revival of the 1970s classic, directed by Robin Lefevre (071 867 1118).

### New York

**Falsettoland** (Lucille Lortel). It will be known as the first musical about Aids hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).
**Grand Hotel** (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).
**Cats** (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
**Les Misérables** (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
**Phantom of the Opera** (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).
**Gypsy** (St James). This 30th anniversary production is a reminder of the heyday of the American musical with memorable tune after memorable tune, as well as a forceful plot about the ambitious stage mother who encourages her daughter into burlesque (246 0102).

### Washington

**Grand Hotel, the Musical** (Opera House). Tommy Tune's five Tony award winning musical stars Liliane Montevecchi, Brent Barrett and Mark Baker in the remake of the Garbo film that recreates decadent, dark and dramatic Berlin of the 1930s. Kennedy Centre (468 4600).

### Chicago

**Other People's Money** (Royal George). Corporate takeover artist Larry "the Liquidator" Garfinkle is played for all his mischievous worst by Peter Van Wagner in Jerry Sterner's funny and telling view of contemporary finance, directed here by the star of the off-Broadway production, Kevin Conway (988 9000).
**Phantom of the Opera** (Auditorium). The midwestern production stars Karen Culliver surrounded by the familiar chandelier and other heavy duty props in a full blown staging (902 1919).
**A Christmas Carol** (Goodman). William J. Norris returns for his 12th season as Scrooge in the annual Goodman production (443 3800).

## MUSIC

### London

**BBC Symphony Orchestra and Chorus** conducted by Lothar Zagrosek. Stravinsky, Beethoven. Royal Festival Hall (Fri) (071-928 8800).
**James Galway's Christmas Collection** with Jeanne Galway (flute), the City of London Sinfonia and the Westminster Singers conducted by Richard Hickox. Barbican Hall (Sat, 5.30 and 8.15) (071-638 8891).
**The London Philharmonic** conducted by Kent Nagano, with Vilmos Szabadi (violin). Debussy, Berg, Stravinsky. Royal Festival Hall (Sun) (071-928 8800).
**City of London Sinfonia** conducted by Richard Hickox, with soloists and chorus. Handel's Messiah. Barbican Hall (Mon) (071-638 8891).
**Orchestre de Paris** conducted by Semyon Bychkov, with Jean-Philippe Collard (paino). Berlioz, Saint-Saens, Mahler. Barbican Hall (Tues) (071-638 8891).
**English Chamber Orchestra** conducted by Martin Neary, with soloists and the Westminster Abbey Choir. Christmas music. Barbican Hall (Wed) (071-638 8891).
**London Sinfonietta** conducted by David Atherton, with Michael Collins (clarinet). Copland. Royal Festival Hall (Wed) (071-928 8800).
**Academy of St Martin in the Fields** directed by Iona Brown, with Barry Tuckwell (horn). Mozart. Royal Festival Hall (Thur) (071-928 8800).

### Paris

**Paul Kuentz Orchestra and Choir** conducted by Paul Kuentz. Handel's *Messiah* (Mon). Salle Pleyel (45638873).
**Jean-Yves Thibaudet**, piano recital (Tues). Salle Gaveau (49530507).
**Maria Joao Pires**, piano. Mozart, Debussy, Schubert (Tues) Théâtre des Champs Elysées (47203637).
**Budapest Symphony Strauss Orchestra** conducted by Istvan Bogar with Sopianae Ballet in Viennese music, dances and waltzes (Wed, Thur). Salle Pleyel (45638879).
**Ensemble Orchestral de Paris** conducted by Armin Jordan with the Vocal Ensemble Michel Piquemal. Florentz, Haydn (Thur). Saint Nicolas des Champs (42771883).
**Orchestre National de France** conducted by David Zinman. Elgar, Ives, Sibelius (Thur). Théâtre des Champs Elysées (47203637).

### Antwerp

**Royal Flanders Philharmonic Orchestra** conducted by Vladimir Fedoseev with Maxim Vengerov (violin). Glazounov, Scriabin (Fri). Koningin Elisabethzaal (03-233 84 44).
**New Belgian Chamber Orchestra** conducted by Alfred Walter, Eliane Rodrigues (piano). Mozart, Mendelssohn (Sat). De Singel (03-248 38 00).

### Brussels

**RTBF Symphony Orchestra** conducted by Andre Vandernoot and Willy Claes, Andrei Nikolsky (piano), Nathalie Houtman (flute), Tatiana Babut du Mares (flute) Vivaldi, Rachmaninov, Franck (Sat). Palais des Beaux-Arts (507 82 00).
**Belgian National Orchestra** conducted by Brian Prestman with Peter Zazofsky (violin), Atar Arad (viola). Salieri, Mozart, Bach (Tues). Palais des Beaux-Arts (507 82 00).

### Frankfurt

**Radio Orchestra Baden Baden** under Michael Gielen. Bruckner (Sun). Alte Oper.
**West Side Story**, with the entire original production directed and choreographed by Jerome Robbins (Wed, Thur). Alte Oper.

### Berlin

**Berlin Philharmonic** under Bernard Haitink with the Ernst Senff choir and Florence Quivar in Mahler's Symphony No.3 (Sat, Sun). Philharmonie.

### Florence

**Jan Latham-Koenig** conducting Debussy, Janacek and Brahms (Fri, Sat, Sun). Teatro Verdi (212320).

### Rome

**John Nelson** conducting Berlioz' *L'enfance du Christ* (Sun, Mon, Tues). Auditorium in Via Della Conciliazione (6541044).

### Milan

**I Solisti Veneti** conducted by Claudio Scimone playing Vivaldi, Bach (Mon). Teatro Alla Scala (72.003.744).

### Madrid

**Spanish National Orchestra** conducted by Aldo Ceccato, with Arto Noras (cello). Schumann (Fri, Sat, Sun). Auditorio Nacional de Musica (337 01 00).
**Madrid Symphony Orchestra and Principe de Asturias Foundation choir**, conducted by Gaetano Delogu, with Thea van der Putten (soprano), Rachel Ann Morgan (contralto), Manuel Cid (tenor), Wout Oosterkamp (bass). Handel programme (Mon). Auditorio Nacional de Musica (337 01 00).
**Spanish Chamber Orchestra** conducted by Victor Martin. Bach programme (Tues). Auditorio Nacional de Musica (337 01 00).

### Barcelona

**Orquestra Ciutat de Barcelona** conducted by Franz-Paul Decker, with Maureen Forrester (contralto) and Coral Carmina. Mahler (Fri, Sat, Sun). Palau de la Musica Catalana (301 11 04).

### New York

**Oratorio Society of New York.** Handel (Mon). Carnegie Hall (247 7400).
**New York City Gay Men's Chorus** conducted by Gary Miller. Balcom (world premiere), Susa, Nelson (Tue, Wed). Carnegie Hall (247 7400).
**New York Philharmonic** conducted by Samuel Wong with Westminster Symphonic Choir. Mendelssohn (Tue, Thur). Avery Fisher Hall, Lincoln Center (874 6770).
**Musica Sacra** conducted by Richard Westenburg. Handel (Thur).

### Washington

**National Symphony** holiday pops concert (Wed, Thur). Concert Hall, Kennedy Center (467 4600).

### Chicago

**Chicago Symphony Orchestra** conducted by Erich Leinsdorf. Stravinsky, Prokofiev (Tues); Klaus Tennstedt conducting. Mahler (Thur). Orchestra Hall (435 8122).

## EXHIBITIONS

### London

**Hayward.** Jasper Johns. Retrospective of the American artist. South Bank. Daily: Late closing Tue and Wed. Until February 3.
**Royal Academy.** Egon Schiele and his contemporaries. Major exhibition of Viennese paintings, including Kokoschka and Klimt. Daily. Ends February 17.

### Paris

**Grand Palais.** Simon Vouet (1590-1649). The exhibition brings together paintings, drawings and tapestries by the Paris-born artist whose vast compositions decorated palaces and churches at the time of Louis XIII and Richelieu. Closed Tue, Wed late closing night. Until February 13.
**Musée d'Orsay.** From Manet to Monet. The museum's acquisitions over the last seven years comprise paintings and drawings, photographs and furniture with an exceptional ensemble of Gallé vases. Rue Bellechasse 40494814. Closed Mon. Ends March 10.
**Bibliotheque nationale.** Memoires d'Egypte. The exhibition pays homage to Champollion for elucidating the mystery of hieroglyphs crucial to Egyptology. 58, rue Richelieu. Ends March 17.
**Louvre.** Recent acquisitions of the Department of Objets d'Art. 136 exhibits of medieval ivories and goldsmiths' work, of renaissance bronzes, enamels and majolicas and of 18th century furniture, tapestries and porcelain – many of which are royal gifts or royal possessions – have come to enrich and to complete the museum's collections. Hall Napoleon, closed Tue, ends January 21.
**Galerie Daniel Malingue.** Maîtres impressionistes et modernes. Daniel Malingue has assembled works of rare quality to represent his favourite period. 26, ave Matignon (42666033). Open all days except Sun, Mon mornings and lunchtimes. Ends December 22.
**Musée Marmottan.** Goya. Monet's museum plays host to four cycles of 218 engravings by Goya on loan from the Fundacion Juan Marcha. There are masterful renderings of bullfights, of lecherous men ogling young beauties abetted by harridans, there are monsters born from Goya's nightmarish imagination and – quite contemporary in their brutality – scenes of war and repression. 2, rue Louis Boilly. Closed Mon (42240702).
**Galerie Odermatt Cazeau.** Andre Masson. An exhibition astoundingly rich in the quantity and quality of works summing up Masson's oeuvre. 85 bis, rue du Faubourg Saint-Honoré (42669258). Ends February 2.
**Galerie Maurice Garnier.** Bernard Buffet – La Bretagne. In his unmistakable spiky handwriting, the painter beloved by the Japanese, pays homage to Brittany's ports and beaches. 6, ave Matignon (42256165). Closed Sun, Mon and lunchtimes.
**Marmottan's Monets.** For lovers of impressionism, the Musée Marmottan is a must. A charming town house set in greenery, it houses an important collection of paintings and drawings by Claude Monet and his friends. Monet's love of London is represented by the Houses of Parliament. In the last 20 years of Monet's life, his garden in Giverny became his great inspiration. In glowing colours and changing light he painted its Japanese bridge and weeping willows and, above all, time and again the unforgettable Nympheas – waterlilies on still green waters. Musée Marmottan, 2 rue Louis-Boilly, closed Mon.
**Musée des Arts Decoratifs.** Panoramic wallpapers. If a wealthy French bourgeois of the 19th century felt the need for change in his comfortable but somewhat boring life, a panoramic decor covering the walls of his salon would instantly transport him to an exotic scene. 107, Rue de Rivoli (42603214), closed Mon, Tue. Ends January 21.
**Louvre.** Euphronios. Some 60 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Open all days from 12 am to 10 pm, except Tue. Ends December 31 (40205166).
**Haboldt and Co.** The newly opened gallery presents in its luxurious setting a selection of old masters from Holland, Germany, France, Belgium and Italy with names as diverse as Ter Borch and Canaletto, Boucher and Tiepolo. 137, Fbg. St Honoré (42895881).
**Galerie du Carrousel.** 19th century French masters. There are some remarkable small bronzes by Degas and Daumier, there are two or three oils, but the speciality of this small left-bank gallery remain drawings by the Ecole de Barbizon. Precursors of the impressionists, the Barbizon painters discarded both academic conventions and romantic dramatisation in favour of a simple, realistic vision of nature. 11, quai Voltaire (42611075). Closed Sun and Mon.
**Grand Palais.** Picasso. A portrait of Jacqueline Picasso with her hands crossed round her knees is the symbol and the central point of an exhibition of 47 paintings, two sculptures, 40 drawings, 24 sketchbooks, 19 ceramics and 247 engravings and lithographs which have come to enrich, in lieu of death duties, the French national collections. The exhibition begins with the blue period and ends with the obsessive erotic works of Picasso's last 10 years. A period whose importance has only recently been recognised. Closed Tue, late closing Wed.

### Brussels

**Galerie Isy Brachot.** An exhibition to celebrate its 75th anniversary: contemporary paintings.
**Galerie de la CGER.** The Belgian Dynasty and Belgium's cultural Development. Daily.
**Palais des Beaux-Arts.** 5 million years: The Human Adventure. Man's evolution seen through 200 Paleontological exhibits. Daily, ends December 30.
**Musées Royaux d'Art et d'Histoire.** Inca-Peru an exhibition that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Monday, ends December 31.

### Madrid

**Centro de Arte Reina Sofia.** After undergoing seven months of major reforms the centre reopens as Spain's "national" contemporary art museum. Memory of the Future: Italian art 1900-1964 is the most comprehensive show organised to date on 20th century art.
**Museo Nacional Centro de Arte Reina Sofia.** Giacometti, undoubtedly the most important retrospective organised to date of this Swiss artist's work.
**Fundacion Juan March.** Cars, Andy Warhol's unfinished series of car drawings and paintings, commissioned by Daimler-Benz – on the centenary of the invention of the automobile, are now on view at the foundation on loan from Daimler-Benz in Stuttgart.

### Barcelona

**Museo de arte Moderno.** Modernism. A comprehensive show of modernism as "total art". Organised by Olimpiada Cultural, the aim of the exhibition is to show off Barcelona's rich modernist inheritance in all its different aspects: including painting, posters, jewelry, furniture, stained glass, wrought iron and ceramics. Ends December 20.
**Museo Picasso.** Homage to Jacqueline – between 1954 and 1970 Jacqueline Roque was a constant source of inspiration for Pablo Picasso, they married in 1958. A homage to his favourite model. Ends January.

### Rome

**Spanish Academy.** Small but delightful exhibition of works lent by the Barcelona Museum, at present undergoing restoration. All the works are of high quality, and offer astonishing contrasts of style from Zurbaran's sugary charm to El Greco's fierce mysticism. Included are two Italian works: Tintoretto's Portrait of a Gentleman and Bassano's Crucifixion. Ends Jan 9.
**Villa Medici.** Jean-Honore Fragonard and Hubert Robert. A large and fascinating exhibition (roughly 200 drawings and paintings) which offers a comparison between these two very different 18th artists, often depicting the same landscape. Fragonard appears extraordinarily modern using impressionist techniques 100 years before the term was coined. Ends February 24.

### Berlin

**Bruecke Museum**, Bussardsteig 9. Around 152 master prints bythe expressionist artist Ernst Ludwig Kirchner (1880-1938) are on display until January 27.

### Bonn

**Friedrich-Ebert Stiftung**, Godesberger Allee 149.70 paintings and prints by the German expressionist Max Beckmann (1884-1950), ends January 5.

### Frankfurt

**Staedel Museum** has opened its new extension: 1,300 square metres display of 20th century art ranging from Picasso to Max Beckmann and Anselm Kiefer. For the opening ceremony there are four special exhibitions on the ground floor concentrating on Max Beckmann with works which have only be seen before in Leipzig, the hometown of the painter. Staedel, Schaumainkai 63. Ends January.

### Bremen

To commemorate the 100th anniversary of the constructivist painter Walter Drexel a retrospective is being held. He worked as painter, advertising manager and teacher. Ends January 13. Kunsthalle am Wall 207.

### New York

**Brooklyn Museum.** From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter.
**Metropolitan Museum.** Mexican art from pre-Columbian handicrafts to modern murals includes a majestic panorama with more than 300 works covering 30 centuries.
**Douglas Drake Gallery.** David Hockney prints and photographs. 50 W. 57th St.
**Museum of Modern Art.** High and Low: Modern Art and Popular Culture may have too broad a theme in highlighting common objects, like newspaper fragments in Cubist works, in 20th century art, but it brings together a wide range of works by Dubuffet, Duchamp, Picasso, Warhol, Lichtenstein, among others.

### Washington

**National Gallery.** The 350th anniversary of the death of Anthony Van Dyck is the occasion of this major exhibit of 90 masterpieces borrowed from around the world and mixed with the gallery's own fine collection. Ends February 24.

### Chicago

**Art Institute.** One of Chicago's most noted conteporary artists returns home when Ed Paschke's travelling exhibit, which first appeared at the Pompidou Centre last year, arrives with 47 of the painter's day-glo portraits and landscapes.
**Chicago Historical Society.** A House Divided, America in the Age of Lincoln. Documents, mementos and personal effects of the Great Emancipator.
**Terra Museum of American Art.** Winslow Homer in the 1890s focuses on the artist's Maine landscapes done at Prout's Neck. 664 N Michigan Av.

ARTS

# *The Wind in the Willows*

**OLIVIER THEATRE**

There'll always be a riverbank. *The Wind in the Willows*, Kenneth Grahame's 1908 classic, could only be about England: its care for good manners, its frowning upon pushiness, and its love of repose, togetherness and home. Alan Bennett's new adaptation has grasped this squarely, and at the same time is a brilliantly theatrical piece of storytelling entertainment. Not only are Rat, Mole, Toad and Badger different types of the English establishment – what's more, the squirrels, weasels and ferrets are spivs and oiks who'd like to create the Toad Hall Leisure Centre and Marina.

The staging of Nicholas Hytner – fresh from *Miss Saigon*, *Volpone*, *King Lear* and *The Magic Flute* – is one of the most glorious versions of English-cum-animal life since Frederick Ashton's dances for *The Tales of Beatrix Potter*. In this, he is helped by four ideal performances in the leading roles. Griff Rhys Jones is gloriously bumptious, jovial, ex-public-school, with a wonderful array of croaks. His bath-chair pretence at death's-door malady is one comic gem; another – remember, he was a great Charley's Aunt – is his washerwoman impersonation.

The quiet centre of Grahame's novel, I believe, is Mole. Watching David Bamber's beautifully Northern, gentle, civilised account, I wondered if both Bennett and Hytner didn't project themselves into this character. Michael Bryant, unrecognisable as Badger, is that stern, gruff, unbending gent down to and beneath his fur. Richard Briers, playing an unusually snobbish, petty Rat, does so with comic ease. (To think that London saw him this summer as Lear!)

Act One affords some of the most heavenly Englishness, character-playing and sheer theatricality since the RSC's *Nicholas Nickleby*. I have never seen the Olivier stage accomplish greater marvels. The descent into the different homes of Rat, Badger and Mole, the distant emergence of Toad Hall over the horizon, the circling river with its boats, the train and the car, the falling snow – these are an astonishing cornucopia. And the fun of Bennett's play keeps unfolding.

The usual theatrical version of Grahame's novel is, of course, Toad of Toad Hall. The transcendent feature of *Wind in the Willows*, however, is its "Piper at the Gates of Dawn" chapter. Here Rat and Mole are drawn to something larger than England; Grahame, like Saki, was showing that out there beyond the French windows is the thrilling power of Pan. And it's this sense of the numinous that Hytner and his colleagues are shy of.

The greatest pleasure of all comes in Mark Thomson's designs. The details of costumes and sets affords delight upon delight – the weasels' widow's peaks, Rat's large ears, Toad's caravaning outfit . . . Everything reminded me of a recent *New Yorker* cartoon, where a dog and a cat, upright, prop up a bar, and one says to the other "So you're anthropomorphic too? It's a small world."

**Alastair Macaulay**

Michael Bryant, Richard Briers and David Bamber

Alastair Muir

# *Yerma*

**BIELEFELD CITY THEATRE**

This was a European stage première. Villa Lobos completed *Yerma* in 1955 and died long before its first production at Santa Fe in 1971. A concert performance was given in London 18 months ago, but, judging by Richard Fairman's notice on this page, it had not been sufficiently well-prepared to allow a proper assessment of the music or its suitability for the theatre. Bielefeld, therefore, deserves an accolade for another stimulating excursion into the untried and unknown. John Dew's German-language staging, conducted by Horst Henke, was extremely well-prepared, and included a sensitive, open-hearted performance by Maike Pansegrau in the marathon title-role.

Villa Lobos's attraction to Lorca's play was understandable. The Spanish text lends itself to song, and its tale of emotional torment is the stuff of musical drama: Yerma destroys herself and her husband because she cannot come to terms with her own childlessness. It is the ultimate cross for anyone to carry in a male-dominated, church-oriented community, which conditions its women to fill no other role than that of child-bearing – and it makes for a larger-than-life character-study.

Judging by this production, however, Villa Lobos was not a born man of the theatre. In well-flavoured scenes, like the gossip-shop of pregnant wives, the dead-of-night fertility ritual, or the cameos involving Yerma's Dickensian sisters-in-law, the opera cannot fail. Nor can there be any complaint about the musical characterisation, which subtly illumines Yerma's sad heart, and her suppressed attraction to Victor, the shepherd. The score is profligate in melodic invention and the kind of exotic colouring which no European could have devised.

Such virtues make little headway when counted against the opera's all-too-evident weaknesses. Instead of reflecting the rise and fall of emotion, the score tends to even it out. The constant moderato sostenuto allows little contrast in tempo or dynamic, and the vocal lines are frequently overshadowed by unison instrumental solos or the invariably well-filled orchestral textures. Villa Lobos's reluctance to change the structure of the original dialogue or let his characters break out of a free form of song-speech only adds to the air of monotony.

On that count, the Bielefeld production did not help: Gottfried Pilz's abstract set – built around an elliptical open cylinder, alternately red and blue – did not generate the necessary changes in atmosphere. Much of the dialogue in the opening scene was lost because the singers were placed too far back. There was also one major weakness in the cast: Ulrich Neuweiler, as Yerma's repressive workaholic husband, lacked the voice and artistry to release the passion beneath the surface of the music.

Given Bielefeld's modest resources, however, this was another spirited ensemble effort, rousingly received by the first-night audience. The long-running Dew-Pilz partnership, which has given Bielefeld's operatic exhumations a distinctive but not always appropriate visual style, has now broken up – apparently in some acrimony – though this will not affect their planned Covent Garden productions.

**Andrew Clark**

# *A Basque with a passion*

**Susan Moore** visits the Zuloaga retrospective in Bilbao

During a recent trip to the Far East I came to the conclusion that there was a very good reason why the pineapple became a prized and widely exported fruit while the mangosteen, sawo, salak or the curious durian – once described as akin to eating the most delicious custard in the world in a public lavatory – remained at home. That thought came to mind again in Bilbao at the opening of the first major touring retrospective of Ignacio Zuloaga (1870-1945), an artist long esteemed in Spain and deemed the greatest Basque painter.

Like his celebrated contemporary Joaquin Sorolla y Bastida, Zuloaga found international fame, and fortune, after an exhibition in New York at the Hispanic Society of America in 1909, although he did not visit his admiring public in the US until 1924. He acquired a reputation as the Sargent of Spain, an epithet more appropriate to the far slicker Sorolla, at least when not capturing the intensity of light and brilliant colour of the Valencian coast in broad Impressionist brushstrokes. Zuloaga's passion was for the Old Spain, the Spain of Velasquez, Ribera, El Greco and Goya, albeit seen through the eyes of Manet.

Approaching the exhibition in the Museum de Belles Artes, one passes vast blown-up photographs printed on billowing canvas of the dashing, mustachioed artist, helping to dress the great bullfighter Juan Belmonte, posing for the camera with Rodin and Shchukin, standing beside the monument for Goya he erected in 1920. Inside the exhibition proper, there are letters from his amigo Picasso. These clues are at once revealing and misleading.

Zuloaga did find acclaim in Russia, as well as all over Europe and North and South America. He did know everyone who was anyone – Rilke, Albeniz, Ravel, de Falla, Ortega, Toulouse-Lautrec, Degas, Gaugin. He can be described as a phenomenon, but his place is not in the pantheon alongside Goya or Picasso, or even Rodin, despite the fact that his name on the Goya memorial is carved in letters as large as those of his hero.

Zuloaga *was* capable of more than an occasional flash of brilliance. He is at his best when least artful, and often with a muted palette of pastels or greys and browns. The large conversation piece of the artist painting his family is a case in point. There are fine portraits, like the full-length of the violinist Larrapidi set against a lime-yellow ground, the mean-mouthed sculptor Julio Beobide, or the sultry reclining poet, the Condesa de Noailles. The vast, hieratic "El Christo de la Sangre" is a tour-de-force of simplified form and colour, but perhaps most compelling of all is a remarkable and sympathetic portrait of the dwarf Dona Mercedes. She stands awkwardly, clasping in the crook of her arm a shiny ball which reflects the painter at his easel – a nice touch of homage to Velasquez.

Unfortunately, homage to the great art of the past and present is too often lacklustre derivation, and there is so much of it. Everyone gets a look in. To show that Zuloaga was more than a society portrait painter, the exhibition presents landscapes and townscapes, still lives, conversation pieces and vast religious tableaux. By the end of the show his wildly fluctuating changes of technique and subjectmatter smack of commercialism.

Zuloaga is not best served by this retrospective which was conceived to re-establish his reputation outside Basque Spain. Much of his painting must remain for Spanish – or seriously Hispanophile – consumption only: the picaresque bullfighters, the flamenco dancers en deshabille, the scarlet and black Spanish beauties, Maja-desnudas stretched out across livid green couches, or comically erotic nudes with parrots. More seriously regrettable is a selection that includes what should judiciously have been left out and omits his monumental landscapes that suggest so forcefully the country's strength and almost primeval power.

On reflection, Zuloaga's case is not supported by the sombre surroundings of the Bilbao museum, with its dismal black faux marble floor and dim lighting. Dominating the exhibition space is a monolithic hunk of concrete by Chillida suspended from the ceiling. The private view was punctuated by the cries of hapless guests who fell into the pit dug out to accommodate it. No doubt the show will look – and seem – quite different at Wildenstein's.

The exhibition, organised by the Zuloaga Museum in Zumala and sponsored by the Basque Government, continues in Bilbao until January 5, 1991. It can be seen at the Pavillon des Arts, Paris, January 30-April 28; the Meadows Museum, Dallas, May 30-July 28; Wildenstein Gallery, New York, September 18-November 1; and at the Biblioteca Nacional, Madrid, December 3-January 30,1992.

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Madrid, meanwhile, sees the reopening of the Centro de Arte Reina Sofia. The project to convert the austere 18th century hospital building into a museum of modern art, replacing the inadequate MEAC, had been given the green light in 1988. The final phase of its conversion provides all the necessary museum services plus access to additional gallery space on the fourth and fifth floors through external lifts in transparent twin towers, a feature which has prompted Madrid wits to dub it the "Sofidor".

Spain previously lacked a major national museum of 20th century art, having only important monographic collections, of Picasso and Miró. The centre's director, Tomas Llorens, describes its function as both a museum and a Kunsthalle. The former MEAC collection is to be extended to both emphasise the importance of Spain's contribution to Modernism and to set it in an international context for the first time. Some 300-350 works will go on show, drawn from its own collection and fleshed out with loans.

Llorens is adamant that the museum be informative rather than inquisitive, neutral rather than opinionated. He is not interested in making a stance about his contemporaries. His exhibitions are to be scholarly, and generated by museum staff. The three inaugural shows, devoted to post-war Italian art, Giacometti (both to January 15) and Tapies (until December 24), auger well for the future. The latter presents a far from the stereotypical Tapies, concentrating on highly experimental works and his use of unconventional materials.

The Giacometti, too, the largest show of sculpture, paintings and drawings ever put together, concentrates on a lesser known period, 1940-48, where he is looking at older traditions, from Coptic painting to Cycladic sculpture. It presents Giacometti the post avant-garde artist in an attempt to illustrate that the development of Modernism is something more complex and contradictory than MOMA would have you believe.

'The Brotherhood of Christ Crucified', 1911 (above) and a self portrait, 1942 (right)

# *City of Birmingham Symphony Orchestra*

**BARBICAN HALL**

The bicentenary of Mozart's death is already being celebrated a year in advance of the day. At the Barbican on Wednesday night the City of Birmingham Symphony Orchestra offered as the first half of its concert shared with the CBSO Chorus a rare set of incidental music – indeed the composer's only such music – written by Mozart for Baron Tobias von Gebler's play *König in Ägypten* and most likely first performed in its entirety in Salzburg in the season 1779-80.

Jan Smaczny's programme note pointed out that the King Thamos story is a pre-echo of *The Magic Flute*: a drama of the conflicting forces of darkness and light, with a victory for light; a tale involving "complex subterfuge and double dealing"; and one with a cast of priests, acolytes and virgins.

It certainly stimulated Mozart's imagination: the choruses and entr'actes gathered here as K.345 are consistently lively and colourful; not his greatest music perhaps, but an opus which deserves more frequent airing, and makes a useful medium-length first part of a programme otherwise devoted, like this one, to a big choral-orchestral work (Ravel's ballet score *Daphnis et Chloé*).

The opening chorus of priests and virgins has a quintessential Mozartian bustle and exuberance; the other two are no less theatrically gripping – substantial and elaborate pieces with solo parts that touch on *coloratura*. The four orchestral entr'actes range from powerful C minor drama to the pastoral eloquence of a memorable oboe solo to the almost Rossinian dash of a brief and triumphant Allegro vivace assai.

Rattle secured the freshest, crispest, most Mozartianly well-bodied and sonorous playing – the faster music had always a notable despatch; the choral singing was bold and committed, the quartet of soloists (Amanda Roocroft, Elise Ross, John Graham-Hall, Henry Herford) were a more than serviceable team.

The atmospheric quiet opening of *Daphnis et Chloé* was marred by some horn fluffs, and the woodwind playing was not initially of the most stylish; but as if to compensate for defects of quietude the work's first noisy big climax was magnificently brought off. In general one could not much complain either about the rendering of Ravel's evanescent effects – feathery phrases, rustling harmonies, tremulous textures (though the wordless contributions of the CBSO Chorus tended to be a shade too loud and clear) – nor of his swelling climaxes.

It was a confident and increasing accomplished interpretation.

**Paul Driver**

SALEROOM

# *Best day ever for Bonhams*

Right against the trend, Bonhams, by far the smallest of the big London based auctioneers, had its best sale ever yesterday when it sold Old Master paintings for just over £1m. The highlight was a "Portrait of a Boy in Persian Dress" by Jan Lievens which sold for £583,000, a record for this artist. Lievens was a contemporary of Rembrandt and collaborated with him frequently. Specialists in the period often have difficulty in distinguishing between the early work of the two artists.

The painting had come to Bonhams through a valuation. In the same sale "St Sebastian" by Jan Van Haarlem did well at £121,000.

The other comparative minnow, Phillips, also had its small triumphs, selling for £19,800 a tiny thimble, 2.5 cm high, which was probably presented to Queen Elizabeth I by the Moghul Emperor. It was a record for a thimble. There was also a record for a Scottish silver coin at Phillips offshoot Glendinings when one of only two Ryals known to have survived carrying the portraits of both Mary Queen of Scots and her husband Lord Darnley sold for £52,400 to Dolphin Coins. Queen Mary stopped the coinage because it seemed to give Darnley precedence.

Sotheby's sale of European sculpture and works of art redeemed itself when an amber mirror frame, 150 cm. by 120 cm, perhaps made in the late 17th century by the Turow family of Danzig, sold for £462,000, double its forecast. It is a record for an object in amber – and for a frame.

The main lots, an early, 1781, marble statue of Apollo by Canova (estimated at up to £800,000) and a Florentine bronze group of the Rape of the Sabine, attributed to Susini from a model by Giambologna (estimate up to £350,000), were unsold at £140,000 and £90,000. An Italian painted terracotta relief of the Virgin and Child from the circle of Donatello, mid 15th century Paduan, was unsold at £65,000, but a South German bronze fountain figure of Neptune in the style of Benedikt Wurzelbauer, late 16th century, did well at £154,000.

Antiquities remain a strong market and Sotheby's morning session totalled £824,890 with less than 6 per cent unsold. A fragment of a stone relief of two chariot horses from the palace of Persepolis, founded in the early 5th century BC by Darius, far exceeded estimate at £319,000. Other parts of the same relief are in the British Museum. A fragment depicting a Persian guardsman from the same source (top estimate £8,000) sold for £52,800.

Samuel Beckett's working rehearsal copy of "Waiting for Godot", with many annotations, was unsold at Sotheby's but almost 300 letters by fellow Parisian literary exile, Henry Miller, to his German publisher, sold, below forecast, for £17,600. Forty letters by Ruskin in which he pours out his heart about Rose la Touche, were bought by Quaritch for £16,500.

**Antony Thorncroft**



# ARTS GUIDE

December 14-20

OPERA AND BALLET

**London**

Royal Opera, Covent Garden. *Die Fledermaus* returns in a new translation by John Mortimer, conducted by Richard Bonynge. American soprano Nancy Gustafson and New Zealander Malvina Major appear as Rosalinde, while Orlovsky is sung by male alto Jochen Kowalski.
Ballet. The Royal Ballet at Covent Garden presents its new triple bill; also *La Bayadère* and performances of *The Nutcracker*. London City Ballet opens a season at Sadler's Wells with a brand new *Cinderella*.

**Paris**

Bastille Opéra. The controversial Opéra's *Figaro's Hochzeit* is conducted by Gabriele Ferro in Ezio Frigerio's decors, withFerruccio Furlanetto as Figaro and Joan Rodgers as Susanna(40011616).
Théâtre de la Ville. Josef Nadj is followed by Jean-Claude Gallotta with the Emile Dubois Group returning with their 1982 triumph of *Daphnis and Chloe* for three dancers (42742277).

**Brussels**

Palais des Beaux-Arts. The Monnaie Opera in *Mefistofele* by Boito (concert version) conducted by Emil Tchakarov with Jose van Dam, Wieslaw Ochman, Margaret Jane Wray, Elzbieta Ardam, Franco Careccia (507 82 00).

**Barcelona**

Teatro Lirico Nacional la Zarzuela. Ballet Lirico Nacional dances *La Fille mal Gardée* with choreography by M Plisetskaya. Ends Dec 17 (541 98 25).

**Rome**

Teatro Dell'Opera. Luciano Pavarotti returns to Rome after a long absence to sing Cavaradossi to Raina Kabaivanska's *Tosca*, with Ingvar Wixell as Scarpia, conducted by Daniel Oren. (488.17.55).
Teatro Olimpico. El Baul – music, song and dance performed by Ruben Celiberti, with choreography by Silvia Valdimisky, produced by Salo Pasik (393304).

**Genoa**

Teatro Margherita. Beppe de Tomasi's production of Puccini's *La Bohème* with the young Italian soprano Cecilia Gasdia as Mimi, conducted by Bruno Moretti (589329).

**Milan**

Teatro Alla Scala. Season opens with Riccardo Muti conducting Mozart's *Idomeneo*, in a sensitive but somewhat static production by Roberto de Simone, with spectacular sets by Mauro Carosi. Excellent performances by Gosta Winbergh, Delores Ziegler and Patricia Schuman, and Carol Vaness as a much-applauded Electra (72.003.744).

**Bologna**

Teatro Communale. Ruggero Raimondi sings the title role in Mozart's *Don Giovanni* produced by Luca Ronconi and conducted by Riccardo Chailly. Daniela Dessi sings Donna Elvira, Jane Eaglen is Donna Anna; Adelina Scarabelli, Zerlina and Alessandro Crobelli, Leporello (529999).

**Berlin**

Opera. *Madame Butterfly* is sung by Galina Kalinina, John Sandor and Olive Fredricks. *Tristan und Isolde* in Götz Friedrich's production stars Rene Kollo and Gwyneth Jones. *Mathis der Mahler* has Jorma Kynninen, excellent in the title role. Also offered *Hänsel und Gretel* and the ballet *Eine Volkssage*.

**Hamburg**

Opera. *Tosca*, in Giancarlo del Monaco's wonderful production is well sung by Ghena Dimitrova in the title role, Vasile Moldoveanu and Franz Grundheber. *Idomeneo*, conducted by Gerd Albrecht, is sung by Josef Protschka, Iris Vermillion, Roberta Alexander and Johanna Kozlowska. *Lohengrin* has a first-rate cast led by Thomas Moser, Ana Pusar, Harmut Welker, Dunja Vejzovic and Kurt Moll.

**Bonn**

Opera. *Ariadne auf Naxos* returns with a new cast led by Eva Marton, Michael Sylvester, Julia Conwell and Michael Kraus.

**Frankfurt**

Opera. The successful *Die Nase* production is again offered with Alan Titus, Dieter Bundschuh, Uwe Schoenbeck and William Cochran. Further performances of *Aufstieg und Fall der Stadt Mahagonny*; and *Macbeth* with Rosalind Plowright.

**Munich**

Opera. *Cav and Pag* stars Grace Bumbry, Gudrun Wewezow, Piero Cappuccilli and Lando Bartolini. *Der Fliegende Holländer* in Gierke's picturesque production brings Julia Varady, Jakko Ryhaenen and Bernd Weikl together. *Hänsel und Gretel* is a well done repertoire performance.

**New York**

Metropolitan Opera. *Faust* has its season premiere, conducted by Thomas Fulton in Harold Prince's production with Diana Soviero, Neil Rosenshein and Samuel Ramey. Marilyn Horne, Chris Merritt and Samuel Ramey perform in John Copley's new production of Rossini's *Semiramide* conducted by James Conlon, who also conducts *Salome* with Hildegard Behrens, Helga Dernesch and Peter Kazaras in Nikolaus Lehnhoff's production. Julius Rudel conducts Dino Yannopoulos's production of Giordano's *Andrea Chénier* with Aprile Mille and Sherrill Milnes (362 6000).
New York City Ballet. *The Nutcracker* takes over for its annual appearances. New York State Theater, Lincoln Center (496 0600).

**Chicago**

Lyric Opera. Tatiana Troyanos has the tile role in *Carmen* with Neil Shicoff as Don Jose, conducted by Eduardo Mata. Leo Nucci sings the title role in *Rigoletto* in Sandro Sequi's production conducted by John Fiore. Civic Opera House (332 2244).

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Friday December 14 1990

# Making the best of Emu

THE EUROPEAN Community is committed to economic and monetary union. Not to succeed would now seriously damage its credibility. But Emu is a fundamental and, one presumes, permanent change in the European polity. It is far more important to do it well than to get there quickly.

Two principles will need to be observed: first, that the new European money should be as good as possible; second, that powers transferred to the EC under majority voting should be the barest minimum. The tension between the two principles would be best resolved by transferring powers over the new money, which are inherently indivisible, to an independent European central bank, while leaving fiscal powers, which are eminently divisible, either to the member states, acting on their own, or to the EC, under unanimous voting.

This view assumes that the British plan to gift the EC with a 13th currency is unlikely long to divert the others. It is also unlikely, in any case, to improve the EC's monetary performance, a point the Bundesbank sees more clearly than the British Treasury.

Quite apart from being intrinsically desirable, making the new single currency as good as possible is a political imperative. The Germans are unlikely long to tolerate the substitution of a bad money, however European, for a good one. The requirement would best be met by an independent European central bank, modelled on the Bundesbank. In order to avoid any doubts on this matter, the statutes of the new central bank should be incorporated in the Treaty.

The commitment to monetary stability needs to be buttressed in two directions. First, exchange rate policy cannot be left to the committee of finance ministers, Ecofin, acting on their own, since they could thereby subvert the central bank's ability to achieve price stability. Either the central bank should be granted a veto over exchange rate policy or, alternatively, any instructions on exchange rate policy from Ecofin should be unanimous.

### Exchange controls

Second, the risk of irresponsible behaviour, even by the European Central Bank, would be minimised by writing into the Treaty a prohibition on exchange controls, except in an emergency. The determination of such an emergency might then require a unanimous vote of the European Council.

On the transfer of fiscal powers to the EC, the fundamental issue is the proper domain of majority voting. It is majority voting that breaks the chain between national politics, which remains dominant throughout the EC, and the ultimate policies. It would be unwise to break that chain any more often than is necessary.

### Fiscal deficits

Accordingly, the Germans will have to suppress their fears about fiscal deficits. After all, fiscal deficits raise interest rates within an integrated global capital market even without a single currency. Controls on those deficits will have to be limited to suasion and a clear statement in the Treaty that there will be no monetary financing and no bailing out of bankrupt governments.

Similarly, suasion would be the only basis for an EC-wide fiscal policy, should such a thing be thought desirable. Meanwhile, member governments would be able to adopt stabilisation-oriented fiscal policies, if they wish.

The requirement of unanimity has, it is true, made the resolution of conflicts over indirect taxation within the single market more difficult, as has also been true of the taxation of capital. Nevertheless, things should be left as they are, for three reasons: first, fiscal power is fundamental to the independent operation of government; second, the preservation of national fiscal powers encourages a healthy competition among the tax regimes; and third, the Commission has abused majority voting provisions, notably in the case of the Social Charter.

Finally, even after initial convergence has been achieved, regional problems are likely to emerge. The EC will require automatic fiscal stabilisers, as exist within modern national economies. For this purpose, the EC's budget may have to be increased.

Emu is a project not for a year or two, but for decades or even centuries ahead. What matters, therefore, is not whether the final stage is in effect this week, this year or even this decade. What matters is that it will work, that a balance has been struck between the needs of a coherent policy and the imperative of decentralisation, and that a fixation with the timetable has not created a union which carries the seeds of destruction within it. If the EC wants to do something quickly, let it resolve the impasse in the Uruguay Round. If it wants to create an Emu, let it take the time to do it right.

# Heading into a tighter squeeze

HIGH INTEREST rates continue to squeeze the UK economy, as the latest rise in unemployment shows. But, unless policy changes, they must remain high until investors are convinced that a sterling devaluation will be avoided. The scale of the current account deficit and the poor export prospects suggest such confidence may prove hard to win. The recession, as Mr Norman Lamont, the chancellor, has confirmed, will be long and deep.

As consumer spending has slowed, Britain's external position has improved. The volume of imports in October, excluding oil and erratics, was unchanged compared to a year ago, while the volume of exports rose by 7.5 per cent. But the deficit is likely to exceed 3 per cent of gross domestic product this year.

A current account deficit of this size is not necessarily a problem. An economy runs a trade deficit if it consumes and invests more than it produces. It must then borrow from the rest of the world to finance the extra spending. Trade deficits today must be matched by offsetting trade surpluses in the future as the economy services the debt it has accumulated.

### Profit stream

If the deficit is caused by an increase in investment, not matched by higher savings, the future profit stream will allow the economy to finance the deficit relatively easily. But if it is caused by higher consumption, exports must rise at the expense of domestic consumption to finance the future debt servicing.

Investment spending has increased as a percentage of GDP, from 16.6 per cent in 1986 to 19.3 per cent in the first half of this year. The large rise in private consumption in this period was partially offset by falling public consumption as the budget moved into surplus. But the recovery in investment since 1986 followed seven years of depressed investment. Over the entire period since 1979, the current account deficit seems to have been accounted for twice as much by higher consumption as by investment.

Over the same period, the performance of UK exports has been disappointing. The volume of exports has risen more slowly than that of imports: by 53 per cent, compared to 74 per cent. Happily, the share of UK manufactured exports in world exports has remained stable since 1983, having fallen for decades. But it has stabilised at an historically low level, having fallen sharply during the 1980-81 recession.

### Export prospects

Unfortunately, immediate export prospects do not look promising. The Treasury has estimated that exports would rise by only 2¼ per cent next year, despite the recession. The Confederation of British Industry has revised down its forecast export growth, from 4.7 to 1.8 per cent, since August, as survey evidence has shown sharply falling export orders in recent months.

A rise in export competitiveness is probably needed for stable long-run growth. With devaluation ruled out by membership of the exchange rate mechanism, UK unit labour costs will have to grow more slowly than in Germany for a considerable period. But, with average earnings in November still rising by 10 per cent a year, the competitiveness of UK exporters continues to deteriorate.

The resultant cost in unemployment and lost competitiveness could be reduced if employers and unions were to bargain over prospective real wages and so reduce current nominal wage growth. By putting sterling into the ERM at a high rate, the government has made this change essential now, rather than later.

## Richard Evans on how the water companies are faring one year after privatisation

# Swift currents below the surface

AFTER surmounting the watershed of flotation a year ahead of the regional electricity companies, the water industry in England and Wales can now begin to take stock of life in the tougher environment of the private sector.

On the surface everything seems to be flowing smoothly compared with the political turbulence of the two-year build-up to privatisation. The 10 former regional authorities appear to be coming to terms with the new regime and are forging ahead with their £26bn capital programme over the next decade to bring the neglected infrastructure and services up to scratch.

There have been a number of obvious hiccups in the past year. A dry autumn following two exceptionally dry summers has left water resources in parts of the country at a record low; the aborted £78m hostile bid by Severn Trent for the Caird waste disposal group left a sour aftertaste as the new companies struggled to diversify; and the court case now under way against the former South West Water Authority over the poisoning incident at Camelford was a reminder of how vulnerable the industry is to accidents and mismanagement.

In general, however, the current series of half-year results, the first to cover the period since flotation, has shown the companies to be on course or ahead of target, and to be coping well with the harsher economic climate in the private sector.

But any appearance of placidity would be misleading, as currents beneath the surface are running fast and unpredictably. A range of issues and a clash of personalities is causing concern within the industry as opinions differ over the need for further environmental improvements and the high costs involved.

There are two linked arguments taking place, one concerned with the relationship of the regulators to the industry, the other involving the scale of the environmental and quality improvements being demanded, and the consequent costs to the customer.

The relationship between a privatised monopoly providing an essential service and its regulators was never going to be easy. In the event, it has become so acrimonious that some water industry leaders believe the conflict can only be resolved by the personal intervention of Mr Michael Heseltine, the environment secretary.

The row has arisen because of the differing attitudes of the industry's two main regulators, the National Rivers Authority and the Office of Water Services (Ofwat) over the cost of new environmental obligations.

The NRA, headed by Lord Crickhowell, a former Conservative cabinet minister, has been pushing for accelerated environmental improvements on top of those already proposed in the £26bn spending programme, on the ground that cost should not be an argument for evading statutory responsibility for cleaning up Britain's rivers.

Lord Crickhowell said in a recent speech: "I am seriously concerned by a suggestion that is going around that because companies are undertaking massive programmes of investment, they should not be asked to do more ... this is an argument that we simply cannot accept in the NRA. The process cannot possibly stop there, nor should it be postponed."

But Mr Ian Byatt, director-general of Ofwat, looks at it very differently. His main functions are to ensure that the companies operate efficiently and that customers get value for money, and he believes the NRA is demanding improvements with insufficient regard to practicality and cost.

The dispute began to gather momentum when Mr Byatt said he wanted any requests for further price increases needed to meet any unforeseen obligations to be delayed for at least five years, when the companies' agreed charge limits (the so-called K factors) are due for their first review.

He also issued a call for co-operation between the regulators to stop prices being forced up further and to prevent improvement programmes being disrupted by random, more stringent quality rules. He argued that the companies should be given a chance to complete their existing programmes first.

Lord Crickhowell was furious and told the industry: "I am afraid it will not be acceptable to us to operate in a system where adjustments to capital programmes are only made at regularly determined intervals." He also implied that Ofwat was in the pockets of the water companies by supporting their resistance to further environmental improvements.

The industry is in some confusion over the conflict, accepting that it must implement any necessary quality improvements, but nervous about costs and the impact on customers.

An added difficulty is that the row is partly based on the contrasting personalities of Lord Crickhowell, an astute ex-politician determined to turn the NRA into the most formidable environmental agency in the country, and Mr Byatt, a former Treasury mandarin who prefers a more emollient though no-nonsense approach. Predictably, the latter is the more popular within the industry.

Some water chiefs are deeply hostile to Lord Crickhowell and regard him as a tyrant and a bully; others argue that he has been given an impossible task. "The government has told him to improve the environment but it hasn't told him how much it should cost or how long it should take," says one chairman.

The linked conflict, over tougher monitoring requirements for sewage discharges, involves both the NRA and the European Commission, whose wastewater directive laying down new regulations for the European water industry will be discussed by environment ministers at a meeting in Brussels next week.

The directive proposes tough new rules banning the dumping of sludge at sea by 1998 and enforcing higher standards of sewage treatment before disposal via pipeline. Both will involve the UK industry in heavy expense, as additional disposal methods such as incineration will have to be introduced, and more coastal sewage treatment plants built.

However, while the EC wastewater directive was being negotiated, the NRA launched its own proposals in the Kinnersley report, proposing tough new monitoring methods for regulating sewage works discharges.

This has infuriated the companies, partly because of its insistence on 100 per cent quality compliance by sewage works, which can only be achieved at very high cost, and partly because some of its provisions do not match those of the draft EC directive.

A senior industry source estimates that full compliance with Kinnersley, which is still under discussion within the industry, would cost the companies between £10bn and £15bn. This would mean water bills, already due to rise on average by 50 per cent in real terms over the next 10 years, would go up by half as much again.

"We would finish up with very high water charges for not very worthwhile improvements. It's all very well championing the environment, but it shouldn't be done regardless of cost ... We have to give thought to the law of diminishing returns," he says.

The NRA's discharge proposals would be in addition to the industry's commitment to meet higher EC water-quality standards and a greatly accelerated programme for cleaning up beaches by 1995.

None of this heavy spending was budgeted for when charging limits were set for the 10 former water authorities prior to privatisation last December. It will all fall ultimately as an additional cost to the customer.

In the longer term, there is considerable uncertainty in the industry about the way in which customers will pay for their water in the future, and Mr Byatt has called for an urgent debate on other ways of charging.

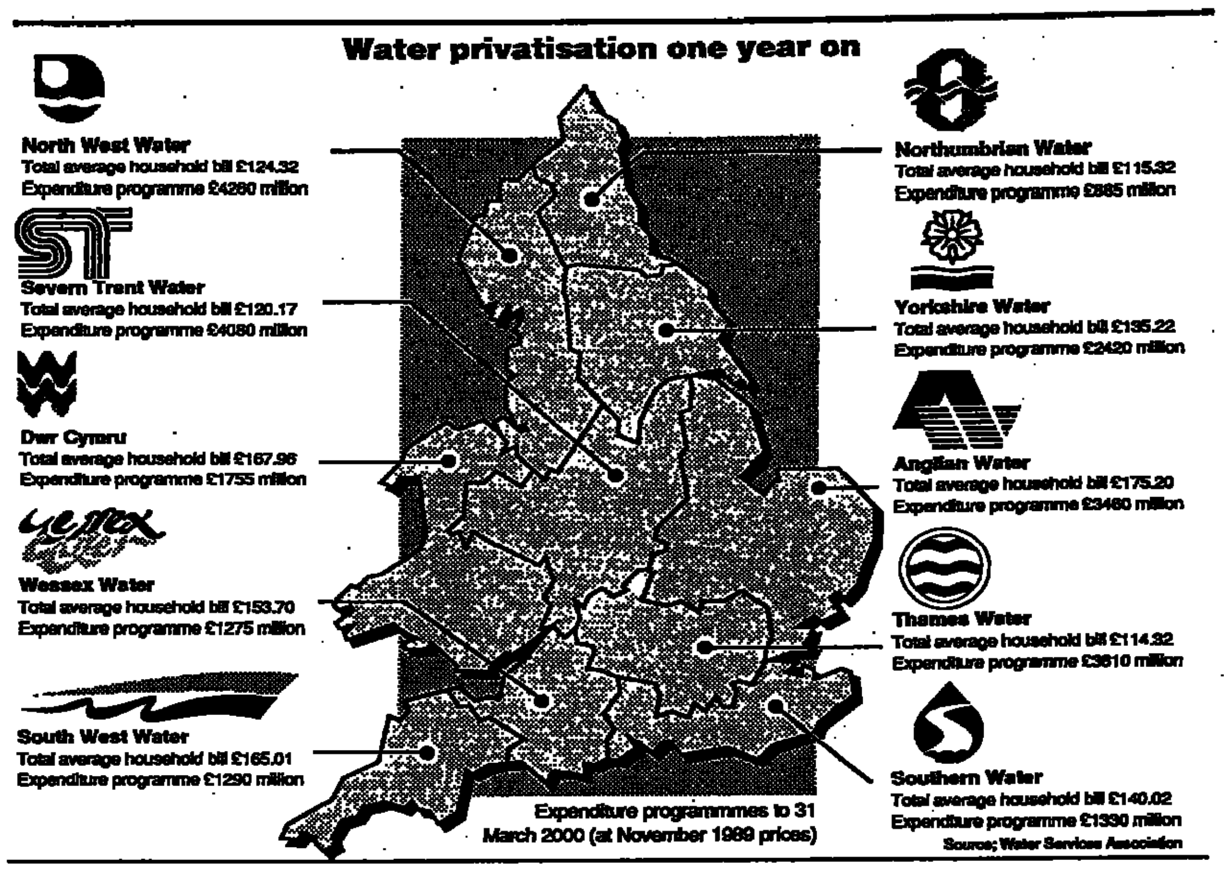
The problem stems indirectly from the government's introduction last April of the community charge, or poll tax, in place of domestic rates. Water charges have traditionally been based on local rates.

Water and sewage bills will continue for the time being to be calculated on the otherwise redundant rates valuation, but an alternative has to be found by 2000, when legislation outlaws the current system.

Three possible methods of paying water bills in the future have been outlined by Ofwat, which will be responsible for supervising the changes. These are metering, a flat rate or licence system, or some form of banding which would classify households according to the type and size of house. However, with the promised root and branch reappraisal of the poll tax by Mr Heseltine, there is now the possibility of a return to some form of rating system.

The industry remains a curious hybrid despite the claims of industry leaders that the companies are fully-fledged members of the private sector, and it is regulation that tends to confuse both the supporters and opponents of privatisation.

The companies are driven not just by the profit motive and the wishes of customers but by the often conflicting demands of the regulators. It is on their ability to cope with the heavy pressures of regulation and the big capital spending programme that the companies' success in the private sector will be judged.




# Shares' success swamps critics

A year ago this week, frantic trading began in the shares of the 10 water companies of England and Wales. Since then water shares have outperformed the rest of the market by an average of 34 per cent.

But it is easy to forget that at the time, the baying of the stags – those investors who sold at a profit in the first days of dealing – was almost drowned out by the grumbling of the sceptics and critics. They claimed investment in the water industry was both too complex and too politically risky for Britain's army of private investors and the traditional non-UK investors in government flotations.

However, as the success of the more complicated electricity flotation again proved this week, if the price is right, obstacles tend to fall away. Since the early days of trading, the performance of water company shares has vindicated supporters.

The equity market has suffered the sort of external shocks recently which critics had predicted would shake the confidence of water investors and depress the companies' share prices. The reverse has been true: in spite of the prospect of war in the Gulf and, more importantly for the water industry, the Tory leadership crisis in the UK, water stocks have surged ahead, outperforming the rest of the market by 30 per cent since the summer.

As industry leaders had predicted, the combination of a high yield (like a gilt) and the solid virtues of an old-fashioned, regulated utility have provided an attractive hedge for most investors against the ravages of recession. The risk of tighter regulation, for example, has looked like a pale shadow against such attractions.

The loyalty of small investors, encouraged by discounts offered on the final payment for the shares due next year, has provided one element of stability.

There have been hiccups. Shares in Severn Trent have suffered since the company launched its ill-fated bid for Caird Group, the waste disposal company, in September. But where companies consider their share prices to have fallen behind, they have been able to engineer improvements. Severn Trent this week announced an 18 per cent increase in its interim dividend – higher than most forecasts.

For some, however, the water share prices look high enough. Lyonnaise des Eaux Dumez, the diversified French water company, yesterday placed its stakes in Severn Trent and Wessex Water in the market, albeit at a hefty profit to the price it paid in the opening days of trading.

**Andrew Hill**

# OBSERVER

## The scourge steps down

■ Numerous nervous chief executives will be sighing with relief now Lord Keith of Castleacre, Britain's best known corporate hatchet man, is standing down from his last chairmanship.

At 74, the scourge of sleepy boardrooms always seems to be on the point of bowing out of the limelight. But this time it sounds more permanent.

At the end of the year he will retire as chairman of Arlington Securities, now part of British Aerospace. And although he won't promise not to reappear if something "amusing" comes along, he's no longer interested in taking charge of problem companies like Brent Walker.

Despite his keenness to reduce his workload, he has lost none of his famous bluntness. "Just look at how badly the banks are run, especially those who take their people from the Bank of England. They have never lent a penny in their life", he says, probably ensuring he will never get another lunch invitation from Midland Bank or Standard Chartered.

As for that other "great pontificator" on corporate behaviour – the Prudential – he is equally ungenerous. "When I was chairman of STC, I asked them what they'd do if they were sitting in my seat. That shut them up".

It seems, however, that there is one current boardroom challenge he might have risen to if only he was a bit younger. It's in the electrical industry. And no, it is not Racal. Something "much bigger".

## Vote-winner

■ Also calling it a day is Jones the Vote of Liverpool City Council. Sir Trevor Jones, who built up the city's Liberal Party from two councillors to controlling strength in the 1970s and early 80s, says he will stand down in May.

He was dubbed "Jones the Vote" when he ran the successful Liberal assault on Sutton and Cheam in a 1972 by-election, overturning a safe Conservative majority and defeating a promising young Tory called Neil Macfarlane.

"All we did was introduce simple marketing methods into politics," Jones says. "Everybody takes things like newsletters, stick-on badges, paper hats for the kids and background music from the loudspeaker vans for granted now, but they were revolutionary then."

Although Macfarlane (now Sir Neil) eventually recaptured Sutton and Cheam, Jones says the long-term benefit was a local organisation that has put the Liberal Democrats in control of Sutton council, led by Graham Tope, the 1972 victor. Similarly, the Chester-le-Street campaign gave the party an entrée into Durham's local politics.

Jones, 62 this month, plans to concentrate on his Liverpool-based chandlery which services ships docking all over Europe.

One person likely to regret his decision is Environment Secretary Michael Heseltine, a friend from the aftermath of the 1981 Toxteth riots.

## Looking around

■ Spotted in the City: Jacques Attali, president-designate of the European Bank for Reconstruction and Development, obviously prospecting for a site for the bank's London headquarters. Accompanied by an estate agent, he was looking at the Wates City Development by Southwark Bridge, now mostly a hole in the ground but scheduled to be a building within a year.

While that seems a long time away, Attali might not be in a hurry now his hoped-for number two, Ernest Stern has decided to stay with the World Bank.


"Here are your vouchers for McDonalds."

## Top investors

■ First Mick Newmarch at the Prudential, and now David Prosser at Legal & General. Turning insurance company investment supremos into chief executive material is becoming fashionable.

Since insurance companies seem to make far more money on their investments than on insurance, maybe it makes some sense. The 52-year-old Newmarch earned his reputation on the Pru's investment management side. The 46-year-old Prosser, headhunted from the British Coal pension fund three years ago, has improved Legal & General's mediocre investment record, although this could change with a few more investments like Levitt Group and Polly Peck.

Nevertheless Prosser's appointment to replace Joe Palmer who retires in September, is a bit of a snub for L&G long-timers. He is the first outsider to head the 154-year old institution and has leapfrogged two obvious contenders in John Elbourne, the successful pensions boss, and Anthony Hobson, finance director.

The problems facing the industry these days have far more to do with distribution, regulation, and the approach of the single market, so there is not much need for Prosser's undoubted investment skills.

Insurance industry diehards can take comfort from the fact that at least he is an actuary, which is more than can be said for Mick Newmarch. Then again, not everyone might see that as an advantage.

## Deterrent

■ The looming of yet another death-penalty debate in Britain's House of Commons chimes eerily with a question put to lawyers Lovell White Durrant by the trustees of an un-named company's pension scheme. They want to know if they are obliged to pay a widower's pension to an ex-employee's husband in prison charged with murdering her.

While the answer constitutes a deterrent, it may fall short of gratifying the pro-hanging lobby. The lawyers advise:

"There is a rule of public policy which prevents a person who has unlawfully killed another from benefiting from his crime. If the member's spouse is convicted of murder, he will forfeit his right to receive the benefit. There is legislation which grants relief from this rule of public policy, but the statute specifically states that there is to be no relief in the case of murder."

## Choked off

■ It's said that with some $4bn US savings-and-loans claims due to hit Lloyds of London, members' silk ties are being withdrawn and replaced with polyester versions. The reason is that silk apparently snaps when suddenly stretched by a falling body.

*POLITICS TODAY*

# Costing Mr Major's welfare state

**By Joe Rogaly**

Fear and greed make the world go round: love merely oils the bearings. My little aphorism should suit the 1990s. For Mr John Major, the British prime minister, is committed to the application of an extra drop or so of the oils of welfare and publicly-financed social services to the bearings of capitalism, following a decade during which the two darker forces seemed to prevail.

This is not to say that the welfare state was destroyed, or even severely damaged, during the 1980s, although it is true that its earlier rate of growth was stunted. Yet Labour's proud creation has survived both the harsh public expenditure decisions of 1981-82 and the onslaught of ideology since 1987. It has come out alive, in spite of its supposed mauling by a certain -ism, whose name I cannot quite recall just now. It commands just under a quarter of our Gross Domestic Product today, the same as it did at the end of the 1970s.

The outlook for the rest of the century is positive if you believe that state spending on health, education, housing, personal social services and social security is beneficial. Give or take a recession in 1991, the share of our national income devoted to tax-financed support for these services (which include simple transfers of cash) is likely to increase, if only by fractions.

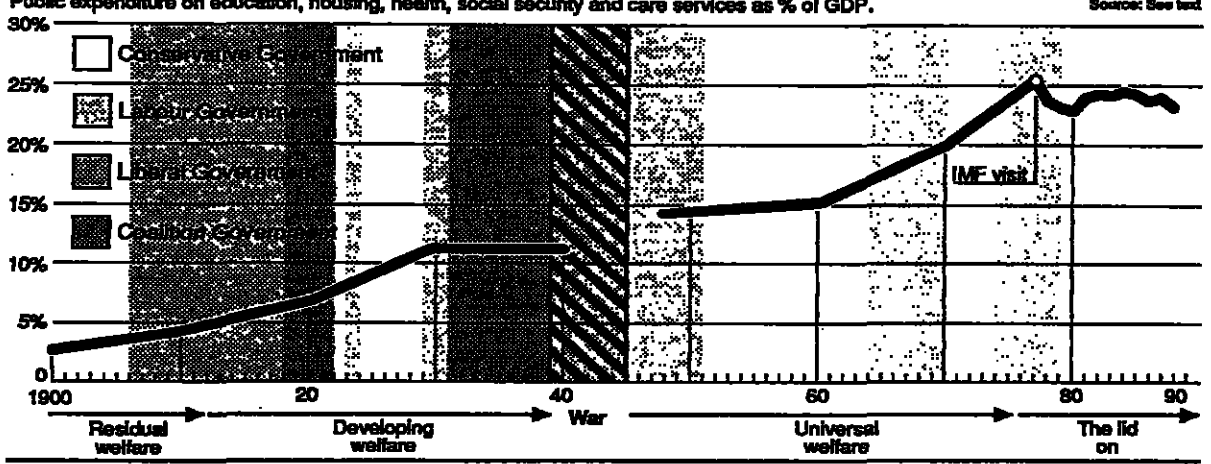
Politics, which has more to do with fear and greed than compassion, may be the spur. There is an example nearly every week. Take just one: on Wednesday Mr Major proposed a £42m settlement with haemophiliacs infected with HIV. His backbenchers cheered. The opposition was nonplussed. I cannot imagine what his predecessor thought, but I know from her record that she herself would not have sanctioned it. There is another example every four or five years. Total welfare spending rose at about the time of the 1983 and 1987 elections, while, as to the 1990 or 1991 contest, we already know the story. It is not many weeks since Mr Major, then chancellor of the exchequer, proudly signposted increased allocations for health and social security over the next few years. Just how much this turns out to be worth will depend in large part on the accuracy of the inflation assumptions built in to the Treasury's forecasts.

You can get the full history, complete with plenty of statistics, and analysis, from The State of Welfare*, published yesterday. It is a substantial descriptive volume, in its way the foundation document of the Welfare State Programme that has been running at the London School of Economics over the past few years. John Hills, the editor, has worked with 10 associates. They take the year 1974, when Labour returned to office, as their starting point. This gives plenty of room in which to establish that there have been three important dates in the postwar history of the welfare state – and that 1979, when the Tories returned, was not one of them.

The first important year, 1945, is given only passing mention, which is reasonable enough, since the history of the legislation laying the foundations of the national health service and what was then called national assistance is well recorded elsewhere. The best numerical measure of what happened after that is total public expenditure on the social services, expressed as a percentage of GDP. Between 1945 and 1975 this social expenditure ratio roughly doubled. Why 1975? That was the year in which the International Monetary Fund brought the drunken-sailor spending of the then Labour government to a halt. When the IMF men came to town the social share of GDP was 25.5 per cent. After they returned to Washington it was 23.7 per cent, nearly two full points lower.

**Social Expenditure**

Public expenditure on education, housing, health, social security and care services as % of GDP. Source: See text




By and large the Conservatives, who took office in 1979, have kept it there. You can see this from the graph. It has been concocted from a table and a quite separate illustration in The State of Welfare. There are sure to be differences of definition and some discontinuities. The line should therefore be taken as a rough general indication of trends; nevertheless it tells a remarkable story.

After 1945 and 1975 the third significant date is 1988, the year in which Mr Kenneth Baker's education act provided for schools to opt out of local authority control and self-government by NHS hospitals was re-invented as part of the health service review. The moves to encourage private pensions was well under way; the social security system was being tightened up.

Even if all these devices work smoothly – a big if – they are unlikely to reduce the quantity of taxpayers' money spent. I suspect that they will increase it, since independent, computer-backed institutions will produce better arguments for more money. If there is a difference it will lie in the method of spending it.

A Tory Reform Group pamphlet** published yesterday tacitly acknowledges this, since it calls for a "significant" increase in teachers' pay, an upgrading of child benefit, tax-deduction vouchers for child care, and so on. But some Conservative ministers fancy that the post-1988 changes in structure, which in many areas recast the state from its role as both financier and provider to mere financier, will somehow improve welfare services at little or no cost. They have to tell themselves this because the welfare state is not merely a mechanism for poor relief, it is a source of schooling and medical care for the majority of voters, especially middle-class voters. Thinking Tories want to do more, but cannot face that graph.

**Housing costs are a problem for the middle-class, a disaster for the borderline socially-adequate**

The message from recent history constitutes bad news for such wobblers. The State of Welfare's chapter on health, written by J Le Grand, D Winter and F Woolley, uses the government's own statistics and assumptions to demonstrate that in spite of huge increases in real expenditure since 1979, the NHS is still inadequately funded. This is because both the demand for health care and the cost of providing it rise faster than the retail price index. "It is clear that the NHS was safer in the hands of Labour than it has been under the Conservatives, at least so far as the volume of resources relative to need was concerned," the authors conclude. Here we have it – waiting lists, empty beds, and derelict hospitals in academic language.

As to housing, you need no headline phrases to describe the cardboard-box people, or the technically homeless living in awful bed-and-breakfast accommodation. The former can be seen by taking a walk in London; the plight of all the homeless is once again expounded in this week's merciless report by the Catholic Bishop's conference.

Mr Hill's chapter on housing, written with Beverley Mullings, partly explains the phenomenon. It acknowledges the Tories' considerable achievement in spreading owner-occupation. Fewer council houses have been built, but more private housing has taken up some of the slack. The net effect is that there are now more dwellings in relation to households. A strong downwards shift in public spending has been accompanied by a sideways move from new construction towards renovation and repairs. All to the good. The net effect, however, is that housing has become "significantly more expensive in relation to income ... since 1979". Rents and first-time mortgages average greater shares of net income, although that income is higher than in the 1970s. Subsidies have been cut; mortgage interest tax relief has not. "Whatever the bench-mark, the price of housing is clearly less within people's means than it was before."

As I see it, this is a difficulty for the children of middle-class parents, but a disaster for those on the borderline of social adequacy. Quick programmes to provide temporary shelter will not suffice; contemporary American thinking suggests that a full menu of social services is required to get the street people off the streets. You might say that some disadvantaged people need renovation more than do houses. That rebounds on the personal social services. Back to our reference volume, which shows, in a chapter by M Evandrou, J Falkingham and H Glennerster, that the growth of spending in this area has slowed considerably since 1979, barely matching the growth in officially perceived need. As to "care in the community", my view is that the financing proposed for it deserves the title of "neglect in the community".

The pressures for more spending on social security vary with the rate of unemployment, but there is an inexorable reliance on supplementary benefit and housing benefit affecting the elderly, the sick, and widows. The poll tax has made matters worse for all such people. No one now disputes that the poor have become relatively poorer since 1979; if you take increases in indirect taxation into account it is possible that many of them have become absolutely poorer.

There is less political chic in alleviating such burdens than there would be in a proper school-buildings programme (plus more for the teachers), but there is a utilitarian argument for social security, morally aside. The high rates of unemployment of the 1970s and 1980s reflected those of the 1930s, but the predicted political and social revolution did not occur. Welfare oiled the wheels.

In the United States, a decade of welfare cuts and "Reaganomics" was accompanied by a tidal wave of new-right nostrums, of which "you won't solve anything by throwing money at it" was the most used. Now they are all whingeing about how the cities are unsafe and New York is becoming too disgusting to live in. Perhaps a touch of money is unavoidable. It may be necessary for the British government to remember that lesson, if the present recession lasts longer and bites deeper than is currently anticipated.

**The State of Welfare. Edited by John Hills. Oxford University Press.* ***The Right Way Forward: Building a Social Market Economy, by Neale Stevenson. Tory Reform Group. Tel: 0223-462244.*

*LOMBARD*

# How to spur innovation

**By Christopher Lorenz**

One of the most memorable spectacles of the Thatcher decade was recurrent public grousing by teams of British science professors about the alleged inadequacy of government funding for their research. In the past few weeks they have been at it again.

Some of the complaints reek of idealism or rank self-interest – especially those in support of such "big science" subjects as nuclear physics and astronomy.

Pushing the frontiers of knowledge is undoubtedly exciting. But it can hardly be top priority for a nation struggling to link science and technology to the marketplace more effectively than in the past, in order to survive against much better innovators such as the Germans and Japanese.

Complaints from fields such as biochemistry, on the other hand, may be more obviously related to the country's future economic well-being.

Some of these grouses have had their desired effect over the years, through either increased funding, or merely relief from previous cuts. But their cumulative effect has been partly counter-productive.

So has, in large measure, the barrage of complaint from manufacturing companies over recent years that short-term investment attitudes on the part of financial institutions ("City myopia") tend to stifle industrial innovation. This theme, too, has come to the fore with renewed force in recent months.

The trouble, in the case of both sets of supplicants, lies not in the merits of each case, but in the way that they so often pitch their pleading in terms of the allegedly underrated importance of "R&D".

It may be convenient to bracket research and development in this way but, as with the words invention and innovation, this fudges misleadingly the distinction between two very different activities – a confusion which, in the United States as well as in Britain, has afflicted general managers and government policymakers for decades, to the detriment of a proper understanding of the process by which new products are conceived, designed and developed.

This misunderstanding has encouraged an obsession with research, and an underrating of the skills of design, development and engineering (DD&E) – though these are the very factors which underpin the phenomenal competitive success of Japanese products, and many Swedish and West German ones.

If a government really wants to give a quick boost to national competitiveness through product innovation – which, especially in a recession, should certainly be a priority of the newly pragmatic Tory administration – there is little point supporting research which will take years, if ever, to reach the marketplace.

Far better, provided it could be squared with definitions of protectionism, would be to support projects which really *are* "near-market". That means backing design, development and engineering projects over three to five years – not research over five to 10, except in industries such as pharmaceuticals where such programmes are often vital before any development work at all can be done.

An approach of this kind would be in no way original: only a few years ago the UK government financed a "product and process development scheme", and its new funding programme for "research" by small and medium-sized companies will actually be spent partly on development projects.

What would be new, and more in tune with Tory ideology than the giving of grants for projects vetted by civil servants, would be for support to come in the form of tax credits.

R&D tax credits are already provided in France, Japan and the US. The challenge for the UK would be to find an official formula which separated D from R sufficiently, even if they could not be split apart entirely because of definitional differences between industries.

Such a move might provoke howls of protest from the science lobby, among others. But it could do a power of good for medium-term product innovation.

*LETTERS*

## Emu: UK should be among the leaders

*From Prof Michael Artis and Prof Mark P. Taylor.*

Sir, Martin Wolf's article ("Champions enter lists for Emu", December 12) was in many ways an informative and well-balanced piece. But it does commit some important errors of judgment.

Mr Wolf seems to suggest that full monetary union is attractive to non-German members of the present ERM because it would allow them a degree of autonomy in the setting of monetary policy, which they would use to increase the European inflation rate. There are two mistakes here.

First, the behaviour of the non-German members, at least after 1983, reveals a strong preference for a convergence of monetary policy – on the German standard in fact.

Second, while it is true that there will be a pooling of monetary sovereignty, it is quite clear that the terms of Bundesbank participation in Emu will stipulate that when the European Central Bank board materialises, its primary aim will be to guarantee price stability. In that respect it will be observationally indistinguishable from the Bundesbank.

Mr Wolf also suggests that it would not necessarily harm the interests of the British economy and the City of London if the UK were to sit on the slow half of a two-speed transition. We disagree. As far as the economy is concerned, the substantial reductions in exchange rate uncertainty and transactions costs available within the core Emu countries would make a slow Britain an unattractive trading partner. In addition, by allowing the "fast" countries to move further down the learning curve of monetary integration, Britain would be very much an outsider if and when it too went into Emu. Similar arguments apply to the continued pre-eminence of London as a financial centre. It is hard to imagine that the international banks which dominate the City would not wish to benefit from the reduction in costs associated with a single currency Europe, and would perceive, in the event that Britain did not participate, that the financial centre had effectively shifted to Frankfurt.

Michael Artis,
*University of Manchester,*
Mark P Taylor,
*City University Business School*

## There is a rule of terror in West End streets

*From Mr James Y. Bourlet.*

Sir, David Churchill ("Phantom of recession haunts London stage", December 3), describing the drop in ticket sales to West End theatres, surely missed one crucial explanation: the changed parking situation imposed by Westminster Council.

Restrictions now apply up until midnight, and three sets of officers enforce the restrictions. The police enable clamping, the traffic wardens ticket those parked on yellow lines and a new force tickets those overdue on meters. These forces are privately contracted and are by any reasonable criteria over-zealously active. The situation can fairly be described as intimidating.

The results are sadly predictable – those who in the past made frequent theatre visits now go less often or have given up entirely.

James Y Bourlet,
*26 West Square, SE11*

## Spare a thought for employees

*From Marlyn McConaghie.*

Sir, Your article ("Employees as directors", December 4) only mentions that under British company law "a director must act for the benefit of shareholders".

I would point out that Section 309 of Companies Act 1985 also requires directors to have regard to the interests of their company's employees when performing their functions.

Marlyn McConaghie,
*143 Belsyde Court, Linlithgow Bridge, West Lothian*

## Professional self-regulation is more efficient than statutory interference

*From M.A. Scicluna.*

Sir, I was disappointed to read of Austin Mitchell's supposed cure-all for the alleged ills of the accountancy profession ("Bankruptcies raise question over auditors", December 6). His call for a statutory body to regulate auditors harks back to the 1970s rather than forward to the 1990s. Self-regulation is simply more efficient, as the government has recognised in setting up the new regulatory framework for company audit. Where a government watchdog would be indecisive, unresponsive and slow, a self-regulating profession will be able to act more quickly and forcibly in the public interest, while bearing the costs itself.

The accountancy profession has a good record of acting independently to improve professional standards. The Institute of Chartered Accountants recently undertook an unprompted overhaul of its ethical rules and procedures. The Dearing Committee, which led to the formation of the Financial Reporting Council and the Accounting Standards Board (ASB), was initiated by the profession. Last week the Consultative Committee of the Accountancy Bodies announced reform it had instigated itself of the Auditing Practices Committee (APC).

Lay representation is already an important element in a number of institute activities, including the disciplinary committee. Under the new company audit regulations, due to come into force in 1991, non-accountants will make up a quarter of the registration committee, which will have the power to suspend and disqualify member firms. This arrangement goes beyond the requirements of the Companies Act and is an important part of the profession's attempts to make itself more responsive and accountable to the needs of the public. These and other improvements ought to be given a chance to work.

As for Mr Mitchell's allegation of "opinion-shopping", there is no evidence to suggest that this is a problem in the UK. It is acceptable – even desirable – for companies to consider which accounting policies are best suited to their activities and requirements. It surely cannot be wrong to seek a second opinion in the event of a disagreement. Clearly, if audits were to start to change hands as a result of such an exercise, there would be cause for concern. The APC has been looking into this matter, and I expect the new Board to issue guidance.

Nor is it true to say that "creative accounting rules the day". There are some well-publicised options available to companies, particularly with regard to intangibles. There are also problems in dealing with the burgeoning range of financial instruments. This is why the profession set up the Dearing Committee and supports the ASB in its efforts to create a body to deal quickly with controversial treatments. Instances of creative accounting affecting the reported figures are rare.

Mr Mitchell's ideas are also reported to be under consideration by the Labour party's front bench trade and industry team ("Labour studies plans to overhaul audit practices", December 10). The profession already has a number of these proposals in hand. For example, guidance issued earlier this year makes it clear that the auditor has a duty to report fraud to the proper authorities when it would be justified in the public interest. Work is continuing on developing a form of audit report that will spell out the auditor's responsibilities and detail his findings.

Mr Mitchell's other proposals make less sense. Preventing auditors from providing ancillary services such as consulting to audit clients would cut off an important source of advice for many companies. Particularly hard hit would be the smaller companies which rely on the auditor's close knowledge of the business.

The proposal to have auditors of large listed companies appointed by a government body and changed every five years is also ill-conceived. Once again, it is the companies that would suffer, as they face increased fees to pay for the bureaucracy, and undergo the periodic upheaval of briefing new auditors. Furthermore, US experience suggests that the risk of audit failure increases following a change of auditor.

The independence rules laid down by the professional bodies provide a safeguard without resorting to the expense and regulatory interference proposed by Mr Mitchell.

M.A. Scicluna,
*Chairman, Auditing Committee, Institute of Chartered Accountants, Moorgate Place, EC2*

FINANCIAL TIMES
Friday December 14 1990



CARL ZEISS JENA

# East German high-flier comes down to earth

**By Leslie Colitt in Jena**

JUST as Volkswagen is synonymous with Wolfsburg, or Kodak with Rochester NY, the fortunes of Jena, a pleasant east German city, are bound up with those of Carl Zeiss Jena, the most prestigious high-tech company in the former communist country.

Jena's immediate prospects, however, look bleak. Despite voting overwhelmingly for Chancellor Helmut Kohl in this month's elections, the 105,000 inhabitants of Jena are anxious about the future.

Mr Klaus-Dieter Gattner, Carl Zeiss's managing director, wants to slash the company's workforce in Jena from 29,000 to 7,900 by next July. Short-time work in which the company and the Bonn government are paying 90 per cent of wages will cease on June 30. City officials fear that by July, Jena and the surrounding area will have 40,000 unemployed; a jobless rate of 50 per cent.

"The tragedy is that Zeiss will lose its greatest asset; its highly trained younger people," says Mr Siegfried Huells, a former Zeiss Jena executive. Only a revival of Zeiss and the emergence of a Mittelstand (small and medium-sized companies) could reverse the city's deterioration into yet another east German basket case.

Jena's loss in skills would be a gain for Carl Zeiss in Oberkochen, west Germany, where former Zeiss Jena executives set up a new company after the Soviet occupation in 1945.

The two companies recently agreed to bury their differences over trademarks and are expected to co-ordinate production. But at this stage of the game, Zeiss in the west has little interest in taking over Zeiss Jena, which has debts of nearly DM1bn ($600m).

Although Jena was named by a leading west German business publication as the second most pro-business-oriented east German city – after Leipzig – the extent of new entrepreneurial activity is largely limited to small service shops, boutiques and restaurants. Hopes have been raised by an American company which is considering production of artificial blood vessels. But Jena, apart from the local pharmaceuticals plant, Jenapharm, is dominated by Zeiss.

Until the collapse of the communist order a year ago, Zeiss Jena was an outsized Kombinat which made everything – at high cost – which western companies would buy in as components. In return for giving work to 70,000 people in factories all over the southern part of the country, it produced a relatively modest turnover of 4.1bn East German marks. Zeiss output was spread over everything from optics for the Soviet space programme to planetariums, measuring instruments, military electronics and chips.

Under Mr Wolfgang Biermann, the flamboyant former director of Zeiss Jena and member of the Central Committee of the Communist party, the company was showered with billions of marks in research and development funds. The goal was to circumvent the western embargo on high-tech exports to the Warsaw Pact and to become Comecon's foremost chip producer.

Mr Biermann personally presented an impressed East German leader, Mr Erich Honecker, with the first one megabit Zeiss chip less than two years ago.

These days, however, the company's main former export market, the Soviet Union and eastern Europe, is in danger of collapsing.

Small wonder that Zeiss Jena executives were heartened by the recent west German government announcement that east German companies will be able to get 10-year credits from Bonn, payable only after three years, for 100 per cent of their Soviet orders.

But Zeiss Jena will need to adapt to long-neglected western markets in order to survive even in its greatly reduced condition. Zeiss employees entering the company's main entrance pass a sculpture on Carl Zeiss Platz with the inscription: "From night to light." Many of them wonder how long the darkness will last this time.

# BAe seeks international partners for regional jetliner

**By Paul Betts, Aerospace Correspondent, in London**

BRITISH Aerospace is seeking international partners to collaborate in the $1bn development of a twin-engine 130-seat regional jetliner.

The company yesterday unveiled plans to build an enlarged twin-engine version of its four-engine 146 family of regional jets.

Mr Charles Masefield, managing director of BAe's commercial airlines division, said the company hoped to launch the programme next year, but the decision would hinge on BAe securing partners to share the launch costs.

BAe is hoping to attract at least two international partners to invest in about 50 per cent of the project between them.

The new jet has been called the BAe 146 NRA (New Regional Aircraft).

The programme will involve the developed of a new wing to be fitted on a stretched version of the BAe 146 fuselage.

The aircraft will have a range of about 2,500 miles and will be powered either by the General Electric-Snecma CFM56 engine or the IAE V2500 engine made by a consortium which includes Rolls-Royce, Pratt & Whitney, MTU of Germany and a group of Japanese companies.

With its new aircraft, BAe is attempting to become a leader in the regional jet market at a time when several other European aerospace companies are planning rival aircraft.

Deutsche Aerospace, the large aerospace subsidiary of the German Daimler-Benz car group, is considering the development of a rival 130-seat regional jetliner in co-operation with Aerospatiale of France, Aeritalia of Italy and Casa of Spain.

BAe and Daimler-Benz recently abandoned plans to swap small minority shareholdings after deciding not to collaborate on the development of a new regional jet but instead to develop rival projects.

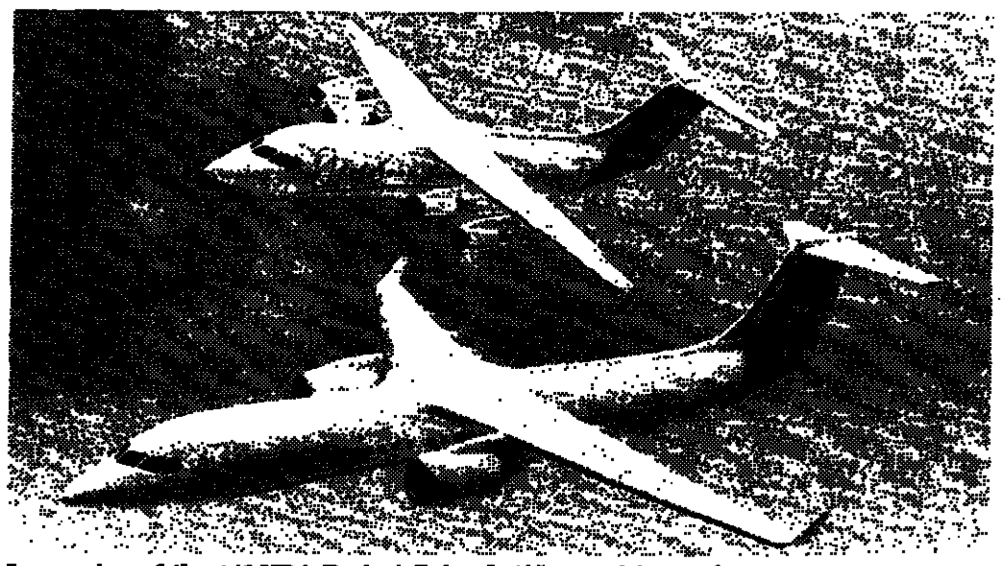
Fokker, the Dutch aircraft group, is also planning to develop a larger 130-seat version of its Fokker 100 regional jet.

Boeing of the US is already competing in this market with the Boeing 737-500, the smallest version of its 737 twin-engine aircraft series.

BAe is aiming to bring its regional jetliner into service during 1996-97.

Mr Masefield estimated the overall market for this type of aircraft at more than 2,000 airliners between now and 2010. BAe is aiming for about 25 per cent of this highly competitive area.

BAe produces 11 versions of the four-engine 146, ranging in capacity from 70 to 100 seats. Mr Masefield said BAe had sold 290 BAe 146s so far, winning 61 orders and options this year alone.



Impression of the 146-NRA Project flying beside a 146-200 series

# Police and fraud office investigate Levitt Group

**By Sara Webb and Ralph Atkins in London**

LONDON's Metropolitan Police and the Serious Fraud Office (SFO) have launched a joint investigation into Levitt Group, which went into liquidation on Tuesday.

They suspect that some £6m ($11.5m) belonging to up to as many as 20 "high-profile personalities" who invested their money with the company may have been misused and could possibly have been lost.

Police arrested Mr Roger Levitt, the group's founder, and raided the Levitt group offices yesterday morning, removing documents.

In the House of Commons, Mr John Redwood, corporate affairs minister, said the inquiries into Levitt were "a sign that the regulatory authorities moved swiftly and with purpose."

He reiterated his confidence in the market regulatory system – in spite of the collapse of Levitt – as opponents accused him of complacency.

The police and SFO spent most of yesterday questioning Mr Levitt, who was forced to step down from his position as chairman and chief executive last month.

Police raided the company offices in Devonshire Street and took away a "substantial amount of paperwork". In particular they are looking for evidence of false accounting and whether funds have been stolen.

Shareholders were told at a meeting on Tuesday evening that there was circumstantial evidence of limited fraud.

Legal & General, the insurance group which has a 4.9 per cent stake in The Levitt Group (Holdings) said yesterday that two months ago, its internal audit team uncovered suspected irregularities in information concerning mortgage applications for overvalued properties.

KPMG Peat Marwick McLintock, which were called in as liquidator on Tuesday, said it was co-operating with the police inquiry.

# Albania sends in troops to halt anti-communist demonstration

**By Laura Silber in Belgrade and Judy Dempsey in London**

ALBANIAN authorities yesterday sent in troops to quash anti-communist demonstrators in the northern city of Shkoder in what could signal the end of the country's attempts to introduce change without violence or bloodshed.

Albanian radio reported that troops and police clashed with "hooligans" who had stoned the local Communist party building and had ransacked the local radio station.

"In order to reimpose order and calm in the city and to defend government and social institutions, the forces of public order and the army came into action," the radio said.

The newly formed Democratic party had already yesterday appealed for calm amid reports of demonstrations in the city of Kavaje, about 50km south of the capital, Tirana, and in the northern town of Shkoder.

Earlier in the day, the authorities had indicated that a law would be drawn up within the next 30 days allowing the formation of independent political parties.

Multi-party elections are due to be held next February.

Mr Gramoz Pashko, a professor of economics at Tirana's Enver Hoxha University who is one of the founders of the Democratic party, said the new party would do everything to secure a peaceful transition to parliamentary democracy.

"We are trying to give the people in Kavaje an example. We have to tell them that we do not want any violence.

"There was some damage to shops there. A Romanian-style situation must be avoided."

Mr Ismail Kadare, one of the country's most respected writers who defected to Paris in August, also appealed to Albanians not to engage in revenge.

Until yesterday, the authorities had kept a tight rein on the Sigurimi secret police and the security forces.

But Albanian academics said a backlash from the party or the Sigurimi could not be ruled out.

In a move which is likely to add to pressure on President Ramiz Alia of Albania, Mr Besnik Mustafaj, an Albanian poet, yesterday demanded that control of the ministries of interior, defence and foreign affairs be taken away from the APL.

He also said that the elections should be postponed. "Otherwise, there is no way parties can organise in time."

Mr Pashko fears that Albanians, anxious to keep the momentum going, may hold more demonstrations.

"We have to calm the workers in particular. Their economic situation is very difficult."

In an effort to broaden its support and weaken the APL's grip on the factories, workers from the printers' factories yesterday made the first attempts to form an independent trade union.

# Canada set for radical change to sales tax

**By Bernard Simon in Toronto**

CANADA'S Senate was due last night to take a vote on a sweeping new goods and services tax after two years of acrimonious public debate which have severely damaged the popularity of the Progressive Conservative government of Mr Brian Mulroney, prime minister.

Passage of the GST legislation will enable the government to introduce a 7 per cent value added tax as scheduled on January 1, although the protracted wrangling has contributed to considerable confusion and delay in setting up the necessary administrative machinery.

Yesterday's vote was due after the government persuaded the Speaker to end eight months of stalling tactics by the opposition Liberals. He forced closure on a debate for the first time in the chamber's history.

The GST debate has been marked by unprecedented hostility between government and opposition members in both houses of parliament, and by widespread public protests. Critics have objected both to the principle of a broad-based consumption tax and to the timing of its introduction in the depths of a recession. The new tax is generally supported, however, by the business community.

The government had outflanked the opposition this autumn by enlarging the all-appointed Senate, thereby destroying a Liberal majority. Even so, the 51 Liberal senators have continued trying to delay the tax, most recently with a day-and-night filibuster.

The GST is the second phase of an ambitious tax-reform initiative begun in 1987. Modelled on New Zealand's value added tax, it supersedes a 13.5 per cent manufacturers' sales tax which was hard to operate and unfairly burdened domestic industry and exporters.

## Bush choice turns down post

Continued from Page 1

affirmative action programmes for minorities.

Throughout, Mr Bush remained aloof from the inter-party feuding which has grown since he abandoned his "no new taxes" pledge and struck a budget accord with Democrats.

Mr Bennett said yesterday in a letter to the president that he had been advised by several lawyers that he could face ethics problems if he combined his RNC job with his plans to write two books and continue outside speaking engagements.

Federal ethics guidelines restrict outside activities for one year, a rule which would apply to Mr Bennett who served as Mr Bush's "drug czar" until he resigned last month citing the need to boost his income. Both the book contract and the potential speaking fees are believed to be worth well over $100,000.

## Steel groups in merger

Continued from Page 1

been reached between the main shareholders of the companies – Böhler's parent, the state-owned Voest-Alpine Stahl, which is to be privatised soon, and the Swedish industrial holding company, Trustor.

Trustor will have a 15 per cent stake in the new holding company.

A further 15 per cent will be owned by the other Swedish shareholders in Uddeholm. They will be invited in February next year to purchase shares in the new enterprise. A prospectus setting out the details of the proposal will be issued next month.

The remaining 70 per cent stake will be in the hands of Voest-Alpine Stahl until it has been decided whether a portion of its shares will be issued for others to acquire.

The deal requires the approval of 90 per cent of Uddeholm's shareholders and of the Voest-Alpine Stahl board. The Swedish government will also have approve the deal.

Mr Per Olov Norberg, Trustor's chairman, said yesterday that the outline of the agreement had been made public "to avoid market speculation" but many matters still had to be resolved.

Even the name of the proposed company remains uncertain. Mr Norberg said he hoped the company could start business "as soon as possible in 1991".

The aim is to float the company on the Vienna and Stockholm bourse within four years and eventually in Frankfurt.

Böhler is the larger of the two groups, with a turnover of SKr5bn last year, against SKr3bn at Uddeholm. Böhler made a profit after financial items of SKr340m and Uddeholm SKr230m.

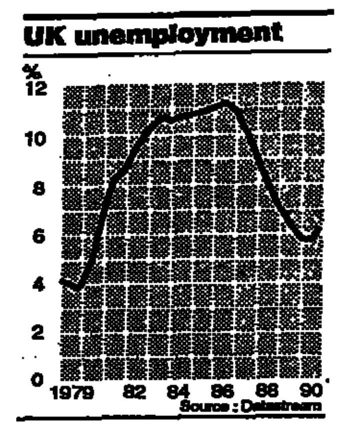
THE LEX COLUMN

# The first pains of the ERM

The combination of yesterday's sharp jump in UK unemployment and the chancellor's earlier refusal to countenance a base rate cut starts to look ominous. Perhaps the ERM – the enforced recession mechanism, as the wags have it – is starting to bite already. In the US, the attempt is being made to duck recession through the time-honoured method of devaluation. The UK government, by contrast, seems inclined to sweat it out.

If yesterday's figures on average earnings are anything to go by, there is more pain to come. Wage inflation seems stuck on the 10 per cent plateau it first reached back in June. Meanwhile unemployment, at 6.2 per cent, is only slightly up from its low of 5.6 per cent in April. Given a fixed exchange rate, the obvious next step is for wage inflation to be forced down by a lengthening dole queue. This is what might be termed the French approach; and in France, it is worth recalling, unemployment remains higher now than on ERM entry in 1983.

The equity market's stolid response to all this reflects a balance of forces; weaker corporate earnings on the one hand, lower inflation and a stronger bond market on the other. But a combination of lower growth and lower inflation is precisely calculated to reduce the traditional appeal of equities relative to bonds. The market may have discounted the conventional recession now in progress. Whether it has yet grasped the radical effects of ERM membership on conventional investment thinking is a more open question.





## Life Insurers

The idea that life companies might improve their profits by taking equity stakes in intermediaries selling their policies now seems exposed as a fallacy. The collapse of the Levitt Group is the latest proof that the insurers involved – General Accident, Legal & General and Commercial Union – have been more concerned with distribution channels and market share than with normal investment criteria. There are doubtless other similar skeletons in the industry closet. When companies began to feel they must choose between spending millions on dodgy equity stakes or raising commissions to unprofitable levels, warning bells should have rung.

It is depressing that the insurance industry, which makes a habit of pontificating on the management shortcomings of others, can have approached a strategic issue with such naiveté. It is doubly depressing that the companies felt able to make what in any context must rank as speculative investments using policyholders' funds. They could argue that they were seeking to increase policyholders' returns through investing for the long term, but the case is a trifle tenuous. The Levitt case also pinpoints an embarrassing risk/reward imbalance in favour of shareholders. The latter might be nursing the wounds of the insurers' collective rush into estate agency. But at least they are in a position to sell their shares if they think a wrong turn has been taken.

## Shanks/Rechem

It is hard to believe there are still UK companies trading on multiples of over 20 times earnings and planning to issue paper. But the UK waste management business is far more fashionable than it sounds, which partly explains why the possibility of Shanks & McEwan and Rechem combining into a group with a market capitalisation of more than £400m has some appeal.

There is a superficial logic about a deal which allows the two quality stocks at either end of the waste business to offer an all-round service. Over time Shanks's dependence on landfill disposal could be a weakness, while Rechem's position in toxic waste has contributed already to its volatile rating. But they have very different customer bases, with few obvious economies of scale.

Rechem's market capitalisation is nearly half that of Shanks's, though its margins of 40 per cent are more than twice as high. At yesterday's suspension price both companies are on a similar multiple of around 20 times earnings, which suggests a straight merger. But if, say, Shanks were forced to pay an extra £2 per share for Rechem to get its agreement, even its most ardent Scottish fans might have second thoughts – especially given Rechem's less impressive profit record.

## Coats Viyella

The stock market generally, not just the textile watchers, should take note of yesterday's profits and dividend warning from Coats Viyella. The textile sector has been in a slump since 1988, and Coats Viyella has already been through a lot of the pain of falling profits, plant closures and big cuts in capital spending. Yet even Coats, it seems, has been taken aback by the way UK sales and profits margins have tumbled again since the autumn. At least Coats has the advantage that, after reducing its capital budget to about £50m in 1990 from £80m-odd in 1989, it will be cash positive this year, in spite of an unrelieved ACT problem. Other manufacturing companies, in sectors which have only just started experiencing hard times, are probably a lot less advanced with their recession management skills, and less prepared for a grim New Year.

## Waterford

So the four-year-old marriage of Waterford Crystal and Wedgwood pottery is to end in divorce, for day-to-day management purposes at least. Given the implicit admission that the whole idea of putting them together now makes no sense, a logical next step surely ought to be outright demerger. This is not, of course, something that can be done overnight; partly because Irish company law is a bit sticky on the subject, partly because the finances are not ready. Wedgwood is not doing badly, and its brand name is still very valuable. But Waterford Crystal will probably lose I£20m before interest and taxes in 1990, mainly thanks to its 14-week strike. The weak US dollar and US recession make prospects look rough for 1991. Nor is the Irish stock market, which has fallen 30 per cent this year, quite ready yet for a stand-alone Waterford. But come 1992, assuming Ireland's relatively good economic performance continues, the idea could be feasible.



WORLDWIDE WEATHER

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
# COMPANIES & MARKETS
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## INSIDE

### Cummins warns of fourth-quarter charge

Fourth-quarter losses at US diesel engine manufacturer Cummins Engine will "exceed substantially" the net loss of $33.7m reported in the third quarter, the company said yesterday. Cummins also expects to make an extraordinary charge to cover the disposal of certain operations, staff cuts and the further consolidation of its manufacturing plants. Martin Dickson reports. Page 24

### To continue or not to continue

Tin prices have dived in Malaysia and the industry is struggling to survive. The average recovery cost for each kilogram of tin in a cubic metre of soil tends to be inversely related to yields: as one falls, the other goes up. Yields have fallen to as low as 0.1kg per cubic metre of soil in the past four or five years. So with poor deposit grades and poor prices, the dilemma now is reduced simply "to continue or not to continue," says one analyst with the Malaysian Chamber of Mines. Page 31

### Dark side of reform

Long-awaited reform on Italy's stock markets – due to come into effect in a matter of days – should help dealers forget one of their worst years. Attilio Ventura (left), chairman of the Milan stock exchange, painted a dismal picture this week, showing a 27 per cent drop in the bourse index this year. Yet, as Haig Simonian reports, the reform has not been universally welcomed. Page 27

### Staking an interest

Japan's new share disclosure rules are throwing up surprises every day as details of the complex cross-ownership system and the shadowy underworld of speculator groups come into full view for the first time. The rules are intended to make Japanese stock markets more transparent and less intimidating for small investors. They force shareholders with stakes of 5 per cent or more in individual listed companies to reveal their interests. Page 23

### Greenall Whitley ahead 19.6%

Greenall Whitley, the pubs, hotels and property group, has lifted annual pre-tax profits by 19.6 per cent helped by lower interest charges and higher property disposal profits. The closure of the group's breweries, announced in August was treated as a £48.9m ($95m) extraordinary debit. Christopher Hatton (left), chairman, said pulling out of breweries would help the group's retail activities, but because of the economic climate "we remain cautious about trading in the short term". Page 25

### Market Statistics



### Companies in this section



### Chief price changes yesterday

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | | | | |
| **Rises** | | | | **Rises** | | | |
| Deutsche Bank | 648 | + | 8.5 | Cogill | 379 | + | 11 |
| IWKA | 194.5 | + | 7.5 | Euroscan | 729 | + | 54 |
| Leifheit | 794 | + | 8 | **Falls** | | | |
| Porsche | 720 | + | 10 | Gardex | 301 | – | 10 |
| **Falls** | | | | Lafarge | 327 | – | 23.4 |
| Rhein West | 420 | – | 15 | Peugeot | 539 | – | 22 |
| Varta | 314 | – | 5 | St Gobain | 365 | – | 16 |
| **NEW YORK ($)** | | | | **TOKYO (Yen)** | | | |
| **Rises** | | | | **Rises** | | | |
| Goodrich | $39^1_2$ | + | $5_8$ | Mazda | 675 | + | 100 |
| Olin | 39 | + | $1^1_2$ | Oval Eng | 720 | + | 100 |
| Quantum Chem | $13^5_8$ | + | $1^3_8$ | Shin-Kobe | 1240 | + | 140 |
| Vicorp | 54 | + | $26^1_8$ | Sekisui | 626 | + | 70 |
| **Falls** | | | | Matsuzakaya | 4450 | + | 500 |
| Hilton Hotels | $38^1_8$ | – | $3^1_2$ | **Falls** | | | |
| Toys R Us | $23^3_8$ | – | 1 | Nissei Prasm | 2340 | – | 260 |
| **PARIS (FFr)** | | | | | | | |
| New York prices at 12.30pm. | | | | | | | |
| **LONDON (Pence)** | | | | | | | |
| **Rises** | | | | WPP | 80 | + | 5 |
| Borland | 1573 | + | 112 | Wace | 213 | + | 8 |
| Cabra | 44 | + | 5 | Watson & Phil | 234 | + | 20 |
| ERF | 88 | + | 8 | Wiggins | 18 | + | 6 |
| Eurotunnel | 388 | + | 16 | **Falls** | | | |
| Fitch (RS) | 26 | + | 5 | Bradstock | 254 | – | 20 |
| Hammerson A | 627 | + | 27 | Coats Viyella | 98 | – | 15 |
| Hardy Oil | 191 | + | 7 | Courtaulds Tex | 237 | – | 11 |
| Lloyds Bank | 316 | + | 9 | Greenall Whit | 324 | – | 13 |
| Lon Merchant | 80 | + | 9 | Tarmac | 226 | – | 9 |
| Midland Bank | 215 | + | 13 | Thorn-Ewe | 225 | – | 7 |
| NMC | 667 | + | 13 | Tootal | 70 | – | 10 |
| Tallon | 120 | + | 25 | | | | |
| Thorn EMI | 674 | + | 15 | | | | |

# RWE to buy US chemical group for $590m

By David Goodhart in Bonn and Nikki Tait in New York

RWE-DEA, the oil and chemicals division of the German utility RWE, yesterday announced the acquisition of Vista Chemical Company of Houston for $590m dollars or $55 dollars a share.

Vista, which makes commodity and speciality chemicals, was formed in 1984 when the bulk of the Conoco Chemicals business was acquired in a leveraged buy-out from Du Pont, America's largest chemicals company.

Its products include polyvinyl chloride (PVC) resins and compounds, detergent alkylate, surfactant and plasticiser alcohols and alumina. It sells into a wide range of end-markets, from household detergents and cosmetics to printing inks, piping and automotive fittings.

In 1989-90, Vista's sales totalled $718.8m and it had 1,850 employees. The company also carried a relatively heavy debt burden of $558.1m at end-September.

RWE, once regarded as a sleepy German utility, has recently attracted investor interest thanks to a steady diversification programme, a management re-organisation and the attractiveness of partly-owned subsidiaries such as Hochtief, the building group.

The recently formed oil and chemicals division, RWE-DEA, is one of the largest but least profitable of the five new divisions with sales of DM 15.9bn ($10.8bn) and after-tax profits of DM 121m in 1989-90. For RWE as a whole sales rose to DM 44.2bn and net profits to DM 784m.

RWE has been one of the most active west German companies in east Germany. It has already announced an investment programme of DM 5bn over five years and has acquired 75 per cent of the east German electricity supply system.

Vista came to the stock market at $17 a share and rose above the $60-level in 1989, but have fallen back sharply during the past eighteen months.

After-tax profits have fallen from $120m in the year to end-September 1989 to $63.3m in the past 12 months. The downturn is largely blamed on lower PVC prices and the costs of expanding and modernising Vista's ethylene plant in Lake Charles, Louisiana.

Vista was advised by Morgan Stanley. Interestingly, RWE-DEA's side of the deal was handled by Morgan Grenfell and Gleacher & Co. Morgan Grenfell is owned by Deutsche Bank, and has a minority stake in Gleacher, the New York-based investment boutique run by Mr Eric Gleacher, former head of M&A at Morgan Stanley.

● RWE also announced a DM 500m investment in east Germany through its subsidiary, Heidelberger Druckmaschinen. Heidelberger Druck, the world market in sheet-fed offset printing presses, is to build a third plant in Brandenburg which will eventually employ 2,000 people.

# Lyonnaise disposes of two UK stakes

By Andrew Hill in London

LYONNAISE des Eaux Dumez, the French water and construction company, yesterday took advantage of the buoyant market in water shares to sell stakes in two of the UK's privatised water companies at a handsome profit.

Lyonnaise sold its 6 per cent holding in Wessex Water, and 2 per cent of Severn Trent, which it bought a year ago this week. The French group is to retain the 9 per cent stake in Anglian Water which it bought at the same time. Lyonnaise owns two water suppliers in Anglian's region.

Mrs Christine Morin-Postel, who heads Lyonnaise's international development plans, said yesterday that the deal did not lessen the French group's commitment to the operation of British water companies. "I jumped on the opportunity provided by a hot market to sell the stocks and make a little profit," she said.

Taking into account exchange rate gains, the sale of its shares may have netted Lyonnaise a profit of more than £3m in the last year, plus dividend payments.

Mrs Morin-Postel said this year's merger between Lyonnaise des Eaux and Dumez, the French construction company, meant the combined group was now very active in other countries, but she added: "We are not getting out of the UK. This was purely a financial decision – I could just as easily buy back into any of the companies when the market is down."

# For BOC, the Giordano era is ending

**Clive Cookson** reports on changes at the UK industrial gases giant

"DICK Giordano was seen as an astronomically paid American whizz manager when he came into BOC. He turned out to be a whizz manager – but not overpaid."

Like other members of the UK business community, Sir David Scholey, head of SG Warburg, regards Mr Giordano as someone who "broke the mould" of British management during the 1980s. "He led people to realise that highly motivated, results oriented management is a good thing. Dick is as good today as he ever was, but he is far less distinctive among British managers because others have followed his example."

Mr Rich, who is Mr Giordano's hand-picked successor, sums up his achievement as "having made two second league companies into one first league company." And Mr Giordano himself is proud to have made BOC "one of only a handful of truly world class British companies." Last year he was awarded an honorary knighthood for services to British industry.

Mr Giordano became chief executive of BOC in 1979. The UK group had recently succeeded in its hostile bid for Airco, a similar sized US gases company, and Mr Giordano, as chief executive of Airco, had bought a yacht to enjoy what he expected to be a period of unemployment. Instead BOC asked him to take charge of the combined group.

He quickly became something of a celebrity, at a time when it was a novelty for a foreigner to run a British company.

To the outside world he was best known during the early 1980s as the country's highest paid businessman – a title he handed over to Sir Ralph Halpern in 1986.

Looking back at the last 10 years, most financial analysts have nothing but praise for the way Mr Giordano transformed BOC's gases business, which accounted for 70 per cent of the group's turnover and profits this year, into one of the world's top three players in industrial gases.

That has been achieved though a combination of a spectacular improvement in UK productivity – the workforce has been cut from 22,000 in 1980 to less than 10,000 now, while output has trebled – and bold expansion into the Asia-Pacific region ahead of BOC's competitors. One third of BOC's industrial gas turnover is in the region and it is the only gases company operating in every free-market Asian country.

Giordano was a celebrity in UK business community, when it was a novelty for a foreigner to run a British company

But analysts are less impressed by BOC's performance in other areas. "Shareholders would have been a lot happier with a business that concentrated on industrial gases," said Mr Andrew Benson of Robert Fleming Securities. "Giordano pumped a lot of money into two forays which failed to produce good profits. Carbon graphite electrodes were a complete disaster and health care has been a failure."

Mr Giordano has taken personal charge of BOC's health care business since the resignation in September of Mr Desmond O'Connell, who had run it. He is convinced that the business has excellent prospects, though its recent performance has been disappointing – "and that performance needs to be improved."

The plan is to take advantage of the high rating that investors give health care companies by creating a separate BOC health and medical company, specialising in anaesthetics, medical equipment and home health care, during 1991. It would then be floated on the New York Stock Exchange or merged with an existing company.

Mr O'Connell, who left with a $1.7m pay-off, had been seen as Mr Giordano's heir apparent until relations between the two Americans soured this year.

"I started wooing Pat [Rich] to come on board as a full-time executive during early to mid-1989," Mr Giordano said yesterday. But Mr Rich did not agree to leave Société Générale de Surveillance, the Geneva-based services multinational where he was chief executive, until early 1990.

Mr Giordano agreed that Mr Rich's appointment at the age of 59 might seem surprising. "But this guy is in the prime of his powers. I have selected someone who is an experienced European businessman – he speaks five languages – and a dedicated internationalist."

One priority for BOC in the 1990s will be to build up its continental European activities, which are still very small. "We have only tiptoed into Europe, because the competition there is formidable," said Mr Giordano. "We goose-stepped into Asia, because the competition there was weak and fragmented."

Mr Giordano will remain full-time chairman of BOC during 1991, "to manage the transition and introduce Pat to the British business community," before handing over to Mr Rich in January 1992.

He has not made up his mind what he will do after that, though he would like to remain involved in business on both sides of the Atlantic. "I'm on the board of Georgia Pacific in the US and Grand Met and National Power here, and I might take on some other directorships."

# Rich appointed head of gases group

MR Patrick Rich (left) is to take over as chief executive and ultimately chairman of BOC, the UK industrial gases group.

French-born Mr Rich, who is deputy chairman, will take over from Mr Richard Giordano, who announced his retirement yesterday. He will become chief executive on January 1 1991 and chairman in January 1992. Mr Rich, who at 59 is three years older than Mr Giordano, has been a non-executive director of BOC since 1983, and became a full-time executive in April 1990.

His international business career has been spent mainly with Alcan, the Canadian metals group, and Société Générale de Surveillance, the Geneva-based services company.

In his chairman's statement in the BOC annual report, Mr Giordano, who has run the group since 1979, said: "I have always believed that, from the group's standpoint as well as my own, a decade was long enough to shoulder these responsibilities." He will continue as a non-executive director after 1992.

The annual report, published yesterday, shows that Mr Giordano broke through the £1m ($1.9m) pay barrier this year. His salary rose from £937,000 in 1989 to £1.025m in 1990.

# Waterford Wedgwood plans corporate split to stem losses

By Kieran Cooke in Dublin

WATERFORD Wedgwood, the Irish group formed by the 1986 merger of the crystal and fine china companies, said yesterday it was splitting the two operations in an effort to stem heavy losses.

They would remain under common ownership but would act independently with their own boards, management, balance sheets and investment programmes. Some marketing and trading relations would continue, but at arms' length.

"The internal restructuring will enable each management, led by its existing executive team, to concentrate on its own brands and to pursue the global strategies necessary for their development" said a group statement.

"In addition, the two businesses will be more cost effective and significant group overheads will be eliminated."

Mr Paddy Bryne, appointed chief executive officer of Waterford Wedgwood last year, is leaving, seeing "no appropriate role for himself in the new structure," it added.

The corporate split will bring to a head the dire financial situation of the Waterford crystal operations. Over the past four years the accumulated losses of Waterford – one of Ireland's biggest employees with 2,300 workers – have reached more than I£80m ($141.9m). This year's losses are expected to come to I£21m. Without Wedgwood, where profits of I£16m are expected this year, Waterford would be in pieces. It had bought the English fine china maker for £250m ($475m) four years ago.

"Obviously the crystal operation now has to work out its own salvation" said Mr Howard Kilroy, group chairman.

Mr Kilroy said his board had no intention of closing Waterford's crystal manufacturing operations in Ireland, where a three-month strike over the withdrawal of certain bonus payments caused losses of I£10m.

Industry analysts see reorganisation as a way of isolating Waterford's problems and insulating Wedgwood from further losses. It is also seen as part of a hard-line approach to Waterford adopted since a consortium, led by Mr Tony O'Reilly, the Irish born head of the Heinz, the US food conglomerate, and Morgan Stanley, the US investment bank, paid I£80m for a 30 per cent stake in the group this March. The value of their investment has since halved.

Production costs at Waterford, while lower than in the recent past, are well above other crystal producers. Sales have eased in the US – Waterford's main market – due to the falling dollar.

# Gardini passes crown to his son

By Haig Simonian in Milan

MR IVAN Gardini, the 21-year-old son of Mr Raul Gardini, is to be the new chairman of Ferruzzi Finanziaria (Ferfin), one of Italy's biggest financial holding companies.

The appointment, which came as a surprise to Italian business circles, follows Mr Gardini senior's decision to renounce the chairmanship last month. It appears to confirm suggestions that he has reconsidered his decision to pull out of Italian business, and is instead reinforcing his position in key Ferruzzi companies.

Earlier this week, Mr Gardini senior succeeded in appointing three of the Ferruzzi group's top managers into Serafino Ferruzzi, the Ferruzzi family's ultimate holding company. He will now also take on the post of honorary chairman of Ferfin.

After completing his secondary education in 1988, Mr Gardini junior saw out his military service in the Bologna and Rome fire brigades before joining the family company. Having been appointed a director of Ferruzzi Agricola Finanziaria (FAF), the group's agro-industrial holding company, in June 1989, he joined the board of Montedison last month following its merger with FAF.

On Tuesday, he was appointed as assistant to his father in his role as chairman of the expanded shareholders' committee of Serafino Ferruzzi.

His further appointment yesterday to the executive chairmanship of Ferfin, the company which in turn controls the Montedison chemicals group and a string of other industrial and financial interests, was by a unanimous vote.

Ferruzzi was at pains to point out that the move, to what is an executive position, was accompanied by the elevation to a second vice-chairmanship of Mr Giuseppe Garofano, a trusted heavyweight manager.

Mr Garofano will maintain his post as Ferfin's managing director.

Nevertheless, the appointment of Mr Ivan Gardini, a school leaver with no university education and less than two years' experience in the Ferruzzi group, is surprising, and likely to be seen as provocative by at least some shareholders.

# Citroën sales rise 7.4% to FFr70.8bn

By William Dawkins in Paris

MR JACQUES CALVET, the chairman of Peugeot, the French car maker, revealed a 7.4 per cent increase to FFr70.8bn ($14.27bn) in sales of the group's Citroën subsidiary.

Citroën, which does not publish separate accounts, will launch a middle-sized car in the first three months of next year, to be christened the ZX, to compete against the Volkswagen Golf, Fiat Tipo and Ford Fiesta.

He also said he will change "not one comma" of his arguments for the need to set stringent limits on imports of Japanese car imports into the European Community.

Mr Calvet gave his first public response yesterday to last month's decision by his 11 fellow members of the CCMC, the European car makers' federation, to break away and form a new grouping without Peugeot.

Mr Calvet downplayed the appearance of disunity in the European car industry given by the CCMC break-up, which fellow car company chairmen say was precipitated by his refusal to accept a change from unanimous to majority voting, after Peugeot blocked a series of industry initiatives.

"I believe all the generalist car makers hold positions which are close enough," apart from differences on "some elements of detail" such as the maximum period for an EC limit on Japanese imports, he said.

Citroën has put the brakes on production to cut stocks in line with falling demand, so it will make 812,500 vehicles this year, 9.7 per cent less than last year's output of 900,000.

Net profits of the parent group, also including Peugeot cars, would be of the same order as last year's FFr10bn, said Mr Calvet. But he warned that group profits would be slightly less than hoped for two months ago because of the uncertainties created by the Gulf crisis.

The ZX comes out just two years after Citroën launched its XM executive model, a significant decrease in the time the company has traditionally left between launching new ranges.

It is Citroën's first car to address the small to medium sized market sector, since the GS, launched in the early 1970s. The sector represents 40 per cent of European car sales.

● Mr Raymond Levy, chairman of Renault, the state-owned car maker, yesterday announced a senior management reshuffle. It enlarges and makes promotions in its two top management committees and gives more emphasis to sales, said a spokeswoman.

Mr Patrick Faure, formerly secretary general, becomes head of automobile sales, replacing Mr Paul Percie du Sert, who has been given responsibility for special assignments plus environmental policy and international projects. Mr Faure's replacement as secretary general is Mr Michel Praderie, who will also keep his former responsibilities as head of human resources.

# Ford agrees principle of venture with VW

By Kevin Done, Motor Industry Correspondent

FORD, the US car maker, yesterday gave its approval in principle for an ambitious joint vehicle development programme in Europe with Volkswagen of Germany.

The project to develop a so-called multi-purpose vehicle or people carrier, a high roof 7-8 seat estate car, is expected to involve an investment of $2.5-$3bn.

It will include the building of a new assembly plant in Europe with a capacity for producing 150-200,000 vehicles a year.

The most likely location for the assembly plant is Setubal, near Lisbon, but the final choice is dependent on Ford and VW receiving the sought-after financial support from the Portuguese government and the approval of the European Commission, which has the power to investigate state aid to the auto industry.

Ford said yesterday that its approval for the project was conditional on the two companies receiving the necessary clearances from regulatory authorities in Europe and "confirmation of an investment incentive package agreement with the host country's government".

Ford said that investment incentives were "an essential element of the project", and the board had therefore left open the manufacturing location, "until those incentives have been secured".

The joint development programme had already been approved by the Volkswagen supervisory board.

The niche for multi-purpose vehicles, which has been pioneered in Europe by the Renault Espace, is expected to be one of the fastest growing segments of the European car market in the 1990s.

Output from the plant, which is likely to be a 50/50 joint venture, will be shared between the two groups and marketed separately under the Ford and VW badges.

Ford and Volkswagen are already closely allied following the merger in 1987 of their local operations in South America to form Autolatina.

# De Benedetti group buys 10% of Spanish bank

By George Graham in Paris

COFIR, the Spanish holding company controlled by Mr Carlo De Benedetti's Cerus group, has bought a 10 per cent stake in Banco Zaragozano, a leading Spanish private bank, for Pta5.85bn ($62.5m).

Cofir plans to pool its stake with a 15 per cent holding built up by Cartera Zaragozano, a company controlled by Mr Alberto Cortina and Mr Alberto Alcocer – "Los Albertos" – who this year gave up an attempt to win control of Banco Central. Safir, the new holding company, is expected to build on this stake.

Banco Zaragozano, which has total assets of Pta450bn, made net profits last year of Pta6bn on shareholders' capital of Pta25bn.

Cofir is 41 per cent-owned by Cerus, the French investment company 39 per cent-owned by CIR, Mr De Benedetti's Italian holding company. It has stakes in Spanish tourism, menswear and wine businesses, and controls Cofipsa, the Benedetti group's Portuguese arm.

# Norway agrees currency exchange rate policy

By Karen Fossli in Oslo

NORWAY'S central bank has agreed with a committee of central banks within the European Community to expand co-operation over currency exchange rate policy.

The move follows Norway's decision in mid-October to link its currency to the European currency unit. Norway's central bank, in its currency intervention policy, will consider the EMS agreement and the EC's currency exchange rate policy by co-operating with EC members' central banks in intervening in third countries' currency.

A bilateral swap agreement has been established between Norway and several EC central banks.

The total access which Norway's central bank has at its disposal for short-term currency intervention is Ecu2bn, equivalent to NKr16bn ($2.8bn).

The co-operation is meant to strengthen Norway's currency stabilisation policy but stop short of associating the krone with the exchange rate mechanism of the EMS.

# Opel reveals details of Eisenach car plant

By Leslie Colitt in Berlin

MR LOUIS R. Hughes, chairman of Opel, the German subsidiary of General Motors, disclosed details of its DM1bn ($680m) project to build a car plant in Eisenach, east Germany, which was finalised yesterday by a contract signed in east Berlin.

Mr Hughes, an American as previous Opel chiefs, said he hoped the car factory would be the spark helping to create thousands of jobs in Eisenach, a traditional car-making centre in western Thuringia, as well as the 2,600 workers Opel would employ.

The car factory, the third new vehicle plant in east Germany after projects announced by Daimler-Benz and Volkswagen, is to produce 150,000 Vectra and Corsa cars annually, Mr Hughes said.

Robert Bosch, the German car components company, said earlier it would also build a plant in Eisenach.

Opel, which began assembling Vectras in Eisenach last October, bought the new production site in west Eisenach from the east German Wartburg company for DM30m. Ten per cent of the DM1bn in investments would be spent on environmental protection Mr Hughes said. He praised the quality of the Vectras coming off the Eisenach assembly line as being as good as "if not better" than those assembled by GM elsewhere in Europe.

Mr Detlev Rohwedder, who signed the contract for the Treuhand Agency which is in charge of privatisation of former state companies, joked he did not know whether to refer to Opel as German or American. The theme was picked up by Mr Helmut Haussmann, the departing German economics minister, who said the move into east Germany was a "national decision by Opel." It was noteworthy at a time when General Motors was closing factories in the US.

East German car buyers were already rewarding the company by buying more new Opels than any other car. Mr Haussmann said the government would provide Opel with incentives of up to 33 per cent of its investment.

# Siemens sees profit in east Germany within two years

By David Goodhart in Bonn

SIEMENS, the German electrical and electronics giant, already employs nearly 15,000 people in east Germany and expects to be making a profit there within two years, Mr Andreas Zimmermann, a Siemens vice-president, told the Financial Times.

According to the Treuhand, the trust body charged with privatising east German industry, Siemens' engagement in east Germany is "a model" to other large west German firms most of which are exploiting east Germany as a new sales market but have held back on investment there.

Mr Zimmermann said that next year Siemens expects a turnover of DM3bn ($2.04bn) in east Germany with new orders of about DM4bn. The medium-term aim in east Germany is a similar market share to that in west Germany which means annual sales of about DM5bn and 25,000 to 30,000 employees.

The company is currently investing about DM1bn in 20 projects in east Germany in its core sectors of telecommunications, power generation and automation. In some cases investments are being made because of "capacity constraints in west Germany", according to Mr Zimmermann. Among deals already finalised are: takeover of telecommunications companies in Leipzig and Greifswald; co-operation deal with ex-Robotron firm Computer Electronics of Dresden; takeover of cable works in Schwerin and Meissen; electronic controls group Numerik near Chemnitz; power generation equipment company in Rostock; and a signals and an electronics group in Berlin.

Theo Waigel: tax breaks of DM15bn a year to be abolished

Mr Zimmermann said that Siemens was not fully satisfied with the work of the Treuhand but added "under the difficult circumstances they are not doing too badly". One of the biggest obstacles was the lack of expertise. Siemens was contributing by sending 10 managers to help out.

Siemens, like other big investors such as Daimler, Volkswagen and BASF, has insisted that the state bears most of the financial burden for cleaning up the environmental damage caused by many east German companies as well as taking on their old debts. "We have worked out detailed risk limitation agreements with the Treuhand," said Mr Zimmermann.

He said that a "low-tax zone" in east Germany as currently being proposed in Bonn coalition negotiations by the liberal Free Democrats "would help smooth the way for new investment". The FDP has proposed an upper limit of 40 per cent for both corporate and individual taxation.

This has been rejected by Mr Theo Waigel, the finance minister, as an ineffective means of promoting investment. But east German-based operations are likely to get a temporary suspension of the asset and turnover taxes – those parts of corporate tax which are not profit-related and thus particularly burdensome for new companies.

Mr Zimmermann said that such incentives were important for Siemens in view of the fact that its large west Berlin operations would soon be losing their long-standing state subsidies. Mr Waigel recently said that tax breaks of DM15bn a year for west Berlin and the area along the former inner-German border would be abolished by the end of 1994. Mr Zimmermann said he was not expecting any marked increase in business in the rest of eastern Europe in the next three to five years.

# East Asiatic down on poor trading conditions

By Hilary Barnes in Copenhagen

EAST Asiatic Company, the big Danish trading and transportation group, reported an "unsatisfactory" third-quarter result and said pre-tax earnings for the year would fall from DKr941m ($166.2m) to "not much over DKr600m.

"The group blamed difficult trading conditions, especially in the wool and timber markets, recession-like conditions in the USA, affecting the EAC graphics machinery business, continued tough competition in liner shipping between Europe and the Far East and the appreciation of the krone.

While sales this year would fall from DKr17.7bn to about DKr16bn, it said, the change in US dollar terms would be from $69bn to $2.68bn.

This year would be an exception in a series of years with steadily rising earnings, said the group. A more positive forecast was justified for next year, providing conditions did not deteriorate further.

# Swissair predicts core business loss

SWISSAIR-Schweizerische Luftverkehr AG SWSZ.Z said its "core business" would end 1990 with a loss and only book profits from selling some aircraft would enable the group to report an overall profit.

A Swissair spokesman said that core business comprised flying operations and associated activities, such as catering and aircraft maintenance.

The airline did not say what overall result it was likely to publish for the full year. Last year Swissair earned a net profit of SFr94.7m ($75.1m), up from SFr76.1m in 1988.

# Cold reaction to Adsteam plan for restructuring

By Tim Blue in Sydney

THE Australian investment community has reacted coldly to plans by the Adsteam group to restructure its inter-company shareholdings and create a retailing giant focused on Woolworths and David Jones. Shares in the main companies were marked back sharply in the first full day's trading after the announcement.

The Adsteam companies propose to combine the publicly listed Adelaide Steamship Company, Tooth and Company and David Jones with their jointly owned Industrial Equity to form one listed entity – to be known as the Adsteam Group – by next September.

The resulting company will have debt of about A$4.5bn (US$3.46m) and a cash flow deficiency estimated by Mr Viktor Shvets, analyst at Barings Securities (Australia), at between A$150m and A$200m a year.

Adsteam intends to cut Petersville Sleigh and National Consolidated adrift by reducing or selling the Adsteam Group's holding. In a statement, Adelaide Steamship Company said all bank loans would be rescheduled to a new maturity date proposed to be December 31 1991.

"The Adsteam Company will retain for the time being its investments in National Consolidated and Petersville Sleigh, though these will be reduced or sold as part of the corporate reconstruction and asset divestment programme," the company said.

It is proposed that shares in the new company, the Adsteam Group, be exchanged for shares in Adelaide Steamship, David Jones and Tooth and Company, in a proportion yet to be worked out. Present minority shareholders in those companies will be shareholders in Adsteam Group. Ahead of the proposed restructuring, Adelaide Steamship Company owns 19 per cent of Tooth, 33.3 per cent of Industrial Equity (Woolworths), 49 per cent of David Jones, 19.5 per cent of Petersville Sleigh and 18.5 per cent of National Consolidated. David Jones owns 43 per cent of Adelaide Steamship Company, 33.3 per cent of Industrial Equity and 44 per cent of Tooth.

John Spalvins: who will be willing to inject more equity?

Tooth owns 49 per cent of National Consolidated, which owns 19 per cent of David Jones; it owns 40 per cent of Petersville Sleigh which owns 27 per cent of Tooth and it owns 33.3 per cent of Industrial Equity.

After the restructuring, the new Adsteam Group will hold the Woolworths and David Jones interests, and a 60 per cent stake in Petersville Sleigh and 67 per cent in National Consolidated.

Share market reaction has been mixed. At the end of the first full day after the announcement, Adsteam closed down 8 cents on pre-announcement prices at 35 cents, David Jones was 20 cents down at 50 cents and Tooth and Co Ltd was down 20 cents to $1.10. Petersville gained 15 cents at $1.07, and National Consolidated had improved 8 cents to 38 cents.

Mr Charles Macek, managing director of investment management at County NatWest Securities, said: "The reality is, whatever the structure, it is carrying a lot of debt. It still needs to raise a lot more equity."

For Mr John Spalvins [Adelaide Steamship Company's chairman] and minority shareholders, the question remains: Who will be prepared to inject more equity?

# Japanese speculators reveal all

## Robert Thomson looks at new rules governing disclosure regulations

The sudden surfacing of serious problems at Shuwa, the investment company, and a public confession from Mr T. Boone Pickens are both part of a new-found openness in Japan, as is a daily parade of curious announcements that companies have just discovered the identity of their largest shareholder.

From last week, a change in disclosure regulations forced investors with stakes of 5 per cent or more in listed companies to file documents detailing their interests.

Before that, stakes of any size did not have to be disclosed. The change was intended to force speculators to reveal their hands, but the new rule has also prompted more conservative firms, such as the Matsushita group, to announce large holdings in other listed companies.

The new regulation is based on Section 13D of the US Securities and Exchange Act of 1934, and is partly aimed at making Japanese stock markets more transparent and less intimidating for small investors, who have been frightened away by past murky rumours of price ramping and share cornering.

Ministry of Finance officials report that the 4,474 filings made last week are still being processed, but each day this week, news of hitherto unknown holdings is released, and fragments are revealed of the complex cross-ownership system and of the underworld of the speculator groups.

Mr Paul Heathon, a senior analyst at W.I. Carr, said that the regulation should end the past speculative tactic of "creeping up on a company", and that speculation generally would probably be slowed.

He said that the rule should give foreign investors insight into the workings of the country's markets: "We are seeing a bit more of the hidden Japan."

It is widely believed that much of motivation for the rule change came from disapproval at the controversial purchase by Mr Pickens, the Texan corporate raider, of a Y140bn ($1.06bn) stake in Koito Manufacturing, a Japanese car parts maker with close links to Toyota Motor.

While Mr Pickens was forced to disclose that the money for the purchase was borrowed from Mr Kitaro Watanabe, a Japanese raider from whom he bought the 26.4 per cent stake in March 1989, the rule change has produced some of the openness that the Texan claims to have been championing.

The law, introduced on December 1, gave companies five days to file details of their investments, including sources of funding, buy-back agreements and the like.

Any change in the stake must also be reported within five days, in the interests, the Ministry of Finance explained, of protecting investors against "unpredictable danger".

In a handbook explaining the rule, the ministry admits that "there are quite a few occasions where investors acquire large blocks of shares" without disclosing the interest.

The events of recent days have proved this to be true. Not only have investors been unware, but company executives claim to be ignorant of their newly revealed shareholders.

Nippon Lace, a textile company and a favourite target of speculative buyers, claimed yesterday to be bemused by the fact that Fukoku Sangyo, a steels sales company and management consultancy, now owns 40.3 per cent of its shares. Fukoku Sangyo also owns 24.8 per cent of Gajoen Kankyo, a hotel operator whose executives also said they were puzzled by the company's just announced holding.

**The new regulation is partly aimed at making Japanese stock markets more transparent and less intimidating for small investors, who have been frightened away by past murky rumours of price ramping and share cornering.**

Speculative companies have often chosen not to register their shares, foregoing a dividend payment, albeit small, for the benefits of anonymity. Target companies were confused by wild fluctuations in their share prices and stocks would be ramped, then dropped, and ramped again when the Tokyo market was at its peak late last year.

Mr Takeshi Kadosumi, manager of the listing office at the Tokyo exchange, said the clearer picture of stockholdings should increase confidence in the market: "Small investors always heard the rumours about stock buying, but now they can see for themselves."

T. Boone Pickens: public confession for corporate raider

Among the more interesting revelations of recent days are:

● Shuwa Corporation, run by the aggressive Mr Shigeru Kobayashi, produced a full list of hostile stakes built in seven Japanese retail companies at an estimated cost of Y500bn. More ominously, Shuwa disclosed that large stakes in two retailers, Chujitsuya and Matsuzakaya, are being held as collateral for loans to service the huge debt incurred in its claimed purpose of "restructuring the Japanese retail industry".

● Itoman, the financially troubled trading house attempting to shed property debts of Y700bn, was apparently surprised to find that Kaihin Development, a real estate investor, is its largest shareholder at 10.27 per cent. Until now, the trading house has been best known for close ties to Sumitomo Bank, which has provided funds and executives in the past, and is now assisting in the mopping-up operation.

● Matsushita Electric Works, a building materials and lighting equipment maker, has become the largest shareholder in Takasago Thermal Engineering, an air-conditioning equipment maker, and in Okamura Corporation, an office furniture manufacturer, with stakes of 8.23 per cent and 12.15 per cent respectively. Both companies have indicated that they are unwilling to join the Matsushita corporate family.

The list of unusual investments is long. Hokushin Construction, which mixes building and stock speculation, has just informed Ishii Food Company, a hamburger meat maker, that it holds 19.26 per cent of outstanding shares.

Mr Veji Sasaki, who unsuccessfully attempted to buy the Japanese operation of Avon Products, now has a 23.1 per cent stake in Japan Carlit, a maker of industrial chemicals and explosives. The colourful Mr Sasaki is head of a mail order house called Friends of Freesia, and replaces Marubeni, the trading house, as Japan Carlit's largest shareholder.

A senior Finance Ministry official insisted that share price manipulation should become a practice of the past, unless companies choose to violate the law, which carries a maximum penalty of one year imprisonment or a fine of Y1m.

The official admitted that the fine is small compared with the potential gains from speculation, but said that the "public humiliation" that goes with the penalty is an important deterrent.

"We expected these stranger shareholdings to be made public because some of the speculator groups have previously not released details of their investments. We hope that the market will be more orderly, and that smaller investors realise they now have equal access to information," the official said.

The filings have also highlighted the excursions of solid, non-financial companies into stock speculation. Most of these investments have involved purchases of less than 5 per cent, and remain undisclosed, but World, a leading fashion house, admitted that it and an affiliate hold 31.39 per cent of Tokyo Tokushu Densen, an electric wire manufacturer, for "purely investment reasons".

"We started buying the stock in late 1987 with the aim of making a profit from share trading. We have no intention of establishing a business relationship because it's a completely different industry. We have been reducing our share investments, and want to concentrate on the fashion industry," a World spokesman said yesterday.

# INTERNATIONAL COMPANIES AND FINANCE

## Cummins warns of charge and bigger loss for quarter

By Martin Dickson in New York

CUMMINS Engine, the loss-making manufacturer of diesel engines, said yesterday that it expected to take an extraordinary fourth-quarter charge to cover the disposal of certain operations, staff cuts and the further consolidation of its manufacturing plants.

The company, the world's largest independent manufacturer of diesel engines, said the precise amount had yet to be determined.

It also announced that its fourth-quarter loss – exclusive of the extraordinary charge – would "exceed substantially" the net loss of $33.7m reported in the third quarter. It also expected to report a loss in the first quarter of 1991.

Cummins, which has the largest share of the US market for diesel heavy truck engines, has been hit by a slump in demand. It is projecting a 10 per cent drop in the US market in 1991.

A representative said yesterday that there was also a softening in the market for recreational vehicle and boat generator sets, while its engine manufacturing plant in Brazil was suffering declining sales because of the economic upheaval there.

Cummins did not spell out whether the extraordinary charge would involve the sale or closure of certain operations. It said its action was designed to reduce its operating expenses.

The company, which has about 25,000 employees, has already reduced its workforce by more than 500 in recent months.

After seeing off two potentially hostile shareholders in the past two years, the company sold a 27 per cent shareholding last summer to three friendly investors – Ford Motor, Tenneco and Kubota of Japan.

Yesterday's news hit the company's shares, which were down $1 at $34⅝ at midsession on the New York Stock Exchange.

## Chairman to quit Data General at year-end

By Louise Kehoe in San Francisco

MR EDSON de Castro, chairman and founder of Data General, the struggling mini-computer manufacturer, will leave the company at the end of the year and will not stand for re-election to its board of directors, the company said.

Mr de Castro's departure has been prompted by "a decision of the board of directors", said Data General.

Co-founder and vice-chairman Mr Herbert J. Richman is also planning to leave. Mr Richman will not stand for re-election to the board, although he will continue as executive vice-president for the Asia/Pacific region until he retires from the company at the end of the current fiscal year in September 1991.

Mr Ronald L. Skates, who took over day-to-day management responsibilities from Mr de Castro a year ago, will remain as president and chief executive.

Mr de Castro, 52, will not be retiring from the computer business. "He says that he plans to look for new opportunities in the industry, although he has no definite plans," the company said.

Mr de Castro said of his resignation: "I feel disappointed, but I recognise that the board runs the company and their wishes have to prevail. I am leaving on an amicable basis.

Mr de Castro designed the first minicomputers while he worked at Digital Equipment in the 1960s. He left Digital to form Data General in 1968.

## Wasa plans to go public in 1992 issue to policyholders

By John Burton in Stockholm

WASA, one of Sweden's leading mutual insurance companies, said yesterday that it planned to go public in 1992 in what could be the country's second largest share issue in terms of subscribers.

The share issue, which needs to be approved at the next general meeting in June, would be directed at the company's 500,000 policyholders. The board did not release details about the value of the flotation.

The share issue would affect Wasa's non-life insurance operations, which accounted for a third of the company's total premiums of SKr8.1bn ($1.5bn) in 1989.

Trygg-Hansa, another leading Swedish insurer, staged the country's biggest share issue last December, directed at its 900,000 policyholders.

Wasa said it was taking the step to form cross-holding arrangements with other insurance companies in Europe. It owns 5 per cent of the Danish insurer Topdanmark.

Wasa also cited tax reasons for its decision as the Swedish tax reform programme, which will be introduced next year, would increase Wasa's tax bill by at least SKr100m if it remained a mutual insurance company.

Wasa is the country's fifth-ranking insurer in terms of non-life insurance policies, with premiums of SKr2.9bn last year.

It ranks third in terms of life insurance.

Trygg-Hansa said yesterday that it had established a foothold in the Canadian non-life reinsurance market by forming a subsidiary in Toronto.

## Placer Dome to bid for Chile gold

By Robert Gibbens in Montreal

PLACER DOME, North America's second largest gold producer, will be among the bidders for a group of Chilean gold properties that Cominco, the Canadian metals and fertiliser producer, plans to put up for sale shortly.

Placer owns half the La Coipa gold and silver mine in Chile, and regards the conditions for the mining industry there as encouraging.

Cominco Resources International has asked NM Rothschild & Sons to examine the possibility of selling the group's interests in several Chilean gold properties, including a 50 per cent stake in one estimated to contain 3.2m ounces of gold.

Cominco also owns 26 per cent of the Marte project, which recently came into production, and expects to produce nearly 100,000 oz yearly from 1991 onwards.

It also owns 83 per cent of the US$200m Quebrada Blanca copper project in northern Chile.

Sale of the gold properties would be intended to finance most of the Quebrada Blanca project.

A decision is expected from Cominco next month.

Placer has been trying to expand its total gold reserves, now stated at nearly 19m oz worldwide. Nearly a quarter of its reserves are in Papua New Guinea.

The company has spent nearly $400m this year to buy gold and copper deposits in northern British Columbia, including Mount Milligan.

Mr Anthony Petrina, Placer president, said the company regarded Chile as a promising area geologically and that it was ready to expand its gold mining activities there.

Placer is also interested in increasing its base metals activities in several parts of the world.

At the end of 1990 its cash resources will be nearly US$600m.

## American Brands plans to write down stock in E-11

By Nikki Tait in New York

AMERICAN BRANDS, the large US tobacco, spirits and financial services group, said yesterday it expected to write down the value of its preferred stock in E-11, a holding company whose assets range from Samsonite luggage to the Culligan water treatment business.

American Brands carries the stock at $219m in its balance sheet, but declined to quantify the size or timing of the write-down on the stock.

E-11 was formed as an acquisition vehicle, and bid for American Brands in 1988. It was subsequently bought by its target.

Most of E-11's businesses were then sold by American Brands to a subsidiary of Riklis Family Corporation, part of the empire belonging to Mr Meshulam Riklis.

As part of the deal, American Brands received preferred stock in this subsidiary. It said yesterday that, although dividends had started accruing on the stock in July 1989 with no payments made to date, the stock had been valued on the assumption that it would be redeemed next June.

Last week, however, Mr Riklis resigned as chairman and chief executive of E-11, leaving the head of the Samsonite unit to "effect the restructuring" of E-11's $1.24bn of debt.

● Mr Joseph Dionne, McGraw-Hill chairman and chief executive officer, predicted "modest" earnings-per-share growth in 1991 and said he would recommend "a more modest increase" in the dividend than in recent years, AP-DJ reports.

He added that McGraw-Hill stood by its 1990 earnings prediction of $3.50 to $4 a share.

The publishing and information services company posted a 1989 fourth-quarter loss of $2.01 a share and full-year net income of 98 cents.

## Poor figures at Jarden Morgan may hit payout

By Terry Hall in Wellington

JARDEN MORGAN, the international broking and investment group which is being wound up, yesterday announced an unexpectedly poor result indicating that its shareholders will receive a much smaller payout than expected.

For the six months to September 30 it suffered a total loss of NZ$30.2m (US$18.5m). In September its directors told shareholders that the company would be in a break-even position in this period.

They had forecast that once the company had finished its asset sales programme it should have NZ$100m in cash to distribute to shareholders.

Yesterday Mr Bryan Johnson, chairman, said the cash figure was now more likely to be between NZ$75m and NZ$80m. Based on that estimate, shareholders should receive a payout of about 29 cents a share rather than the 38 they had been expecting.

The problems arose due to delays with the asset sale programme, including the failure last month of the deal to sell the company's Australian and Singapore operations to First Capital Corporation of Singapore, which was unable to acquire Singaporean regulatory approval.

The company had to take an abnormal writedown of NZ$24.5m which, when added to the operating loss of NZ$5.4m, brought the pre-tax loss to NZ$29.9m, compared with a total loss of $78.7m in the year to March 31.

Asset sales to date include Deak International's London operation to Barclays Bank of the UK. Deak International Trading US is under offer.

The trust business in Monaco has been taken over by management and the Gibraltar operations are also being sold.

## General Mills ahead 30% in second quarter

By Nikki Tait

GENERAL MILLS, the food and restaurant group, reported second-quarter profits up 30 per cent to $118.2m after tax. This translated into earnings per share of 72 cents, up 31 per cent on the year-ago period.

However, the figure includes a one-off post-tax gain of $9.2m from the sale of the Lancia Bravo pasta subsidiary, partially offset by restructuring costs in the Yoplait yogurt business. Stripping out these factors, General Mills said earnings per share had advanced by a fifth to 66 cents.

Sales rose by almost 13 per cent at $1.84bn. Both the consumer foods and restaurant divisions contributed to the profits progress, with operating figures up by 23 per cent (excluding the disposal gain) and 16 per cent respectively.

General Mills said the strongest gains continued to come in the Big G cereals and Betty Crocker products divisions. Big G volumes grew by 8 per cent, pushing its share of the ready-to-eat cereal market to 28 per cent from 26.5 per cent a year ago. Betty Crocker showed volume gain of 14 per cent.

## Asarco plans environment provision

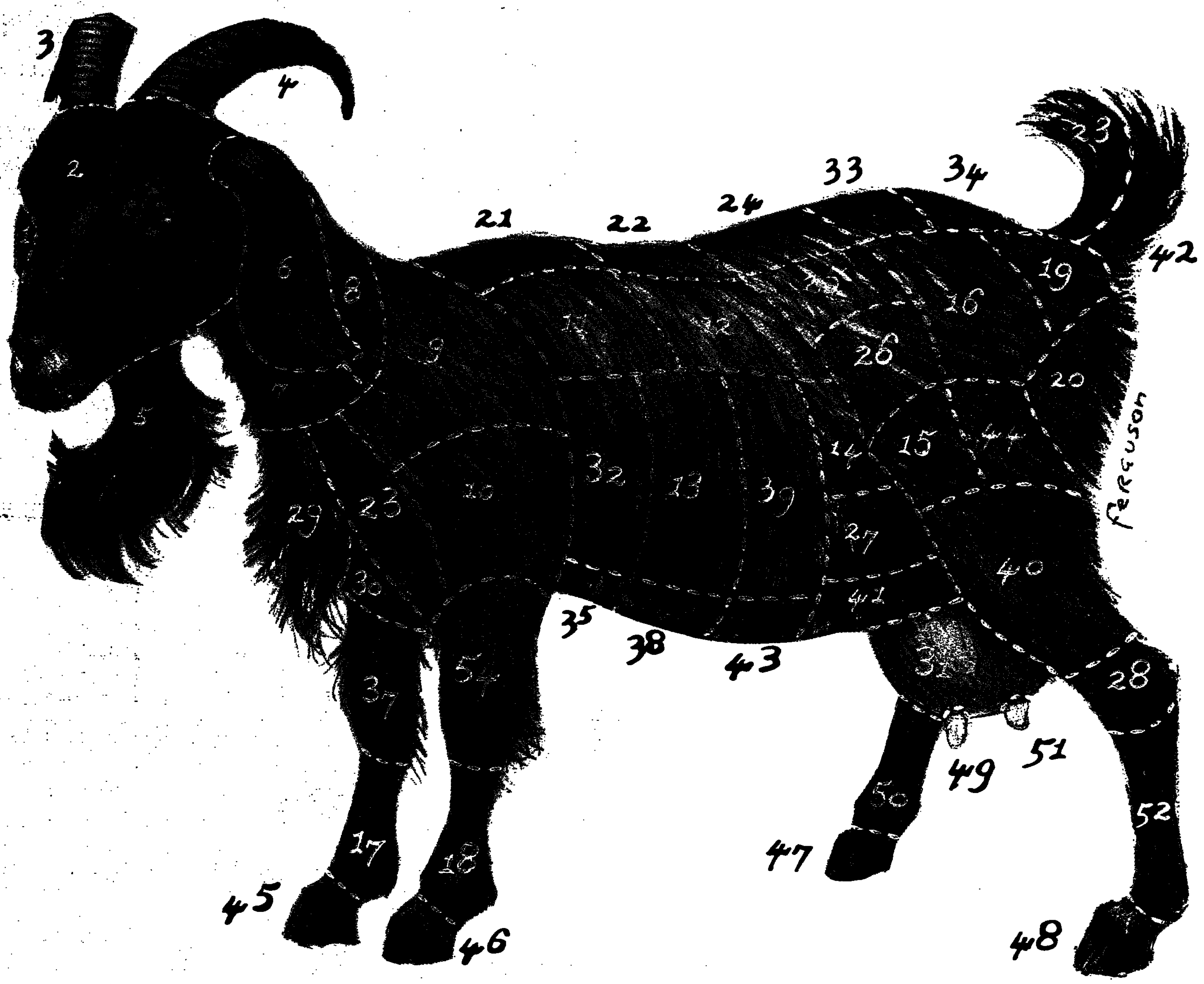
ASARCO, the US mining group, is to make a provision of about $51.5m or $1.24 a share after tax in the fourth quarter for environmental costs, writes Kenneth Gooding.

These are associated with present operations and previously-closed facilities, and the estimated cost of increased royalties to the State of Arizona.

The group's net earnings for the nine months to the end of September were $145.4m or $3.50 a share.

The provision for increased state royalties was an estimate of past costs expected from higher royalty rates under a new mineral leasing statute, enacted by Arizona, which is retroactive to December 1987.

# What is the FT getting up to this Weekend?



Much the same as you, no doubt.

■ Ken Hom describes the re-emergence of regional cuisine in mainland China, and relives his enjoyment of an extremely special meal which took two days to prepare: 54 dishes, made from a single goat.

■ Edmund Penning-Rowsell describes his choice of the year's wine books.

■ Geoffrey Owen, who steps down as Editor of the *Financial Times* this month, reflects on Britain's mixed industrial performance since he first joined the paper in 1958.

■ Andrew Anderson looks at short skiing breaks in Europe and tells us how to capitalise on what could prove a memorable snow season, while Arnold Wilson sings the praises of south-west Colorado.

■ Christian Tyler meets Ludovic Kennedy, who tells him why he is not afraid of death.

■ Michael Thompson-Noel has a strange encounter with a restaurant inspector.

■ Philip Coggan of Finance and the Family reveals the year's Leaders and Laggards: the best- and worst-performing UK equities.

■ John Brennan analyses the predictions of a computer model of the UK house market – and finds little hope of a short-term uplift.

■ Our critics review their choice of the season's art books.

■ Barbara Conway searches for – and finds – a computer she can switch on without first acquiring an electronics degree.

And so it goes on...

**Weekend FT**

## COMPANY NOTICE



## LEGAL NOTICES

**CISS (DATA MANAGEMENT) LIMITED**

NOTICE IS HEREBY GIVEN that I, JOHN MARTIN IREDALE of Cork Gully, Shelley House, 3 Noble Street, London, EC2V 7DQ was appointed Liquidator of the said company on 29th November 1990 by the Members and Creditors.

NOTICE IS ALSO HEREBY GIVEN that the creditors of the above-named company, which is being voluntarily wound up, are required, on or before 18 January 1991, to prove their debts by sending to the undersigned John Martin Iredale of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ the liquidator of the company, written statements of the amounts they claim to be due to them from the company and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the liquidator to be necessary. A creditor who has not proved his debt before the declaration of any dividend is not entitled to disturb, by reason that he has not participated in it, the distribution of that dividend or any other dividend declared before his debt was proved.

Date 5 December 1990
JOHN MARTIN IREDALE
Liquidator

**NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS**

We, R E C Cook and J D Harrison of Cork Gully, Abacus Court, 6 Minshull Street, Manchester M1 3ED were appointed Joint Administrative Receivers of Cannon Care Limited, Registered No. 2132704 by National Westminster Bank plc on 30 November 1990.

R E C Cook
Joint Administrative Receiver

**IN THE MATTER OF RELATED TECHNOLOGY EQUIPMENT LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986**

Registered number 2383404
Nature of business: Engineering & Allied Industries
Trade classification: 07
Date of appointment of administrative receiver(s) 27 November 1990
Name of person appointing the administrative receiver(s) Midland Bank Plc
N.J. Vooght & J.M. Fredale
Joint Administrative Receivers
(office holder no(s) 008339 and 002104
Cork Gully
9 Greyfriars Road
Reading
Berkshire RG1 1JG



# INTERNATIONAL CAPITAL MARKETS

# German bonds advance on tighter monetary targets

By **Simon London** in London and **Patrick Harverson** in New York

GERMAN government bonds moved higher again yesterday, encouraged by the tight monetary targets for next year unveiled by the Bundesbank.

In the futures market, the March bund future opened at 84.00 and rose strongly throughout the day and closed at 84.43.

In the cash market, the 8¾ per cent 10-year bund closed on a yield of 8.62 per cent, against 8.66 per cent on Wednesday.

The Bundesbank's monetary growth target of 4 to 6 per cent in 1991, the same as this year, was taken as a bullish sign by the market. The target was seen as particularly stringent in view of the expected expansion of the east German economy over the next 12 months.

"The Bundesbank has signalled that it will not consider regional economic factors in the conduct of monetary policy," commented one analyst. "They are acting as if nothing has happened."

■ ALTHOUGH stronger than expected retail sales figures for November prompted modest selling of US government bonds yesterday morning, a firm undercurrent of demand helped restrict declines to a minimum.

## GOVERNMENT BONDS

At midday the benchmark 30-year Treasury bond had eased ¼ to 107¼, yielding 8.09 per cent. Earlier in the morning the long bond had been almost half a point lower. At the short end the two-year issue was down just ⅛ to 100⅛, to yield 7.23 per cent.

The early sell-off followed data showing retail sales in November fell just 0.1 per cent. The market had been looking for a larger fall, and some took the news as evidence that the economy may not be in recession for very long. However, the economic bears still far outnumber the bulls, and the selling pressure petered out relatively quickly.

The Federal Reserve concluded a series of four-day matched sales agreements to siphon reserves from the banking system. The need to reduce liquidity followed the introduction yesterday of the first phase of the Fed's new reserve requirements, which reduce the amount of money banks have to place in non-interest earnings accounts with the central bank.

The Fed's operations were executed when Fed funds were trading at 7⅛ per cent. After the intervention, the rate firmed to 7⅜ per cent.

■ JAPANESE government bonds moved lower during Tokyo trading, with little clear direction and trading dominated by professional activity.

The benchmark government bond issue No 119 closed the day on a yield of 7.09 per cent, against 7.01 per cent on Wednesday. Prices moved lower again in London on better than expected US retail sales figures which may rule out a substantial easing of monetary policy by the US Federal Reserve. The 119 closed on a yield of 7.15 per cent.

According to market analysts, the picture is complicated by the now imminent demise of the 119 as the key benchmark issue. A number of leading Tokyo houses are pushing for the more recent issue No 129 in its place.

Market operations by the Bank of Japan have reduced the 119 by about 25 per cent from its initial size of Y1,850bn, reducing liquidity.

The 119 also carries a coupon of 4.8 per cent, well below current long-term interest rates.

In contrast, the 129 has an issue size of Y2,300bn and a coupon of 6.4 per cent.

■ UK government bond prices closed little changed on the day, first rising on recessionary unemployment data before falling on stronger than expected US retail sales figures.

The March futures contract opened at 90.11 and rose to a high of 90.19 during early trading, but closed at 90.12.

The benchmark 11¾ per cent gilt maturing 2003/2007 closed at 108⅜ for a yield of 10.49 per cent, against an opening price of 108⅛.

**BENCHMARK GOVERNMENT BONDS**

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 13.500 | 09/92 | 103-11 | +0/32 | 11.33 | 11.18 | 11.44 |
| | | 9.000 | 03/00 | 91-12 | +04/32 | 10.47 | 10.55 | 11.29 |
| | | 9.000 | 10/08 | 91-00 | +08/32 | 10.09 | 10.21 | 10.96 |
| US TREASURY * | | 8.500 | 11/00 | 103-28 | -03/32 | 7.93 | 8.13 | 8.40 |
| | | 8.750 | 08/20 | 107-13 | -03/32 | 8.09 | 8.29 | 8.54 |
| JAPAN | No 119 | 4.800 | 06/99 | 87.5315 | -0.300 | 7.16 | 7.25 | 7.81 |
| | No 129 | 6.400 | 03/00 | 98.2001 | +0.447 | 6.72 | 6.95 | 7.47 |
| GERMANY | | 9.000 | 10/00 | 102.5000 | +0.550 | 8.61 | 8.84 | 8.98 |
| FRANCE | BTAN | 9.000 | 11/95 | 95.8027 | +0.037 | 10.11 | 10.15 | 10.25 |
| | OAT | 8.500 | 03/00 | 92.4600 | +0.850 | 9.76 | 9.94 | 10.27 |
| CANADA * | | 10.500 | 03/01 | 102.4750 | -0.125 | 10.10 | 10.34 | 10.88 |
| NETHERLANDS | | 9.250 | 11/00 | 102.1200 | +0.550 | 8.92 | 9.10 | 9.17 |
| AUSTRALIA | | 13.000 | 07/00 | 105.8259 | -0.707 | 11.95 | 12.02 | 12.64 |
| BELGIUM | | 10.000 | 08/00 | 100.8500 | +0.400 | 9.84 | 9.70 | 9.77 |

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal.

Technical Data/ATLAS Price Sources

# Liffe plans futures contract based on Swiss franc rate

THE LONDON International Financial Futures Exchange announced yesterday it will launch a futures contract based on the short-term Euro Swiss franc interest rate in February, writes Deborah Hargreaves.

The contract reflects a strong international demand for a hedging instrument on the volatile three-month Swiss franc rates, according to the exchange.

Much of the impetus for Swiss franc cash market movements comes out of Switzerland, but the currency is traded internationally. The off-exchange derivatives market for Swiss franc rates such as the forward foreign exchange market, is well established.

The new contract will add to Liffe's existing international money market product range which includes three-month sterling futures, Eurodollar, Euromark and Ecu interest rate.

**FT/AIBD INTERNATIONAL BOND SERVICE**

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on December 13

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABBEY NATIONAL 8 7/8 93 | 150 | 100¾ | 101⅛ | +⅛ | 8.40 |
| ALBERTA PROVINCE 9 3/8 95 | 600 | 103⅝ | 104 | | 8.43 |
| AUSTRIA 8 1/2 00 | 400 | 98⅝ | 99 | -⅛ | 8.72 |
| BANK OF TOKYO 8 3/8 96 | 100 | 97⅞ | 98¼ | | 8.86 |
| BELGIUM 9 1/8 92 | 400 | 101½ | 102 | -⅛ | 8.14 |
| BFCE 7 3/4 97 | 150 | 96½ | 96⅞ | +⅛ | 8.48 |
| BNP 8 5/8 94 | 300 | 101⅝ | 101⅝ | +⅛ | 8.15 |
| BP CAPITAL 9 5/8 93 | 150 | 102⅛ | 103⅛ | +⅛ | 8.26 |
| CANADA 9 96 | 1000 | 103¼ | 103½ | | 8.19 |
| CARCO 9 1/4 96 | 650 | 98⅞ | 99¼ | -⅛ | 9.61 |
| CCCE 9 1/4 95 | 300 | 103¼ | 103½ | | 8.32 |
| COUNCIL EUROPE 8 96 | 100 | 98⅛ | 98⅝ | +⅛ | 8.41 |
| CREDIT FONCIER 9 1/2 99 | 300 | 104¼ | 104⅝ | | 8.74 |
| DENMARK 0 98 | 250 | 52 | 52⅝ | -⅛ | 8.93 |
| DENMARK 8 1/4 94 | 150 | 100 | 100⅜ | +⅛ | 8.23 |
| ECSC 8 1/4 96 | 193 | 98⅞ | 99¼ | +⅛ | 8.50 |
| [illegible] | | | | | |
| WORLD BANK 5 03 | 150 | 80¾ | 81 | +⅛ | 7.46 |
| WORLD BANK 7 1/4 92 | 100 | 100½ | 101 | | 6.87 |
| **YEN STRAIGHTS** | | | | | |
| AUSTRIA 4 3/4 94 | 30000 | 93⅛ | 93⅝ | -⅛ | 7.11 |
| CANADA 4 3/8 92 | 80000 | 95⅞ | 96⅛ | -⅛ | 7.29 |
| CREDIT FONCIER 5 1/4 94 | 20000 | 93⅛ | 93⅝ | -⅛ | 7.28 |
| DENMARK 7 95 | 40000 | 99⅝ | 100 | -⅛ | 7.06 |
| EIB 4 5/8 94 | 40000 | 92⅝ | 93 | -⅛ | 7.13 |
| GENERAL ELECTRIC 5 3/4 93 | 35000 | 96⅛ | 96⅝ | | 7.50 |
| INTER AMER DEV 7 1/4 00 | 30000 | 101⅛ | 102 | -⅛ | 6.98 |
| ITALY 5 3/4 92 | 150000 | 98⅛ | 98⅝ | -⅛ | 7.44 |
| KANSAI ELEC PWR 4 5/8 94 | 60000 | 92⅛ | 92⅝ | -⅛ | 7.14 |
| NIPPON TEL & TEL 5 7/8 96 | 50000 | 94⅞ | 95¼ | -⅛ | 6.98 |
| NORWAY 5 1/8 95 | 50000 | 92⅞ | 93⅛ | -⅛ | 7.09 |
| SWEDEN 5 5/8 95 | 20000 | 93⅞ | 94¼ | -⅛ | 7.21 |
| WORLD BANK 6 3/4 00 | 50000 | 98⅞ | 99⅛ | -⅛ | 6.91 |

| OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| COUNCIL EUROPE 7 94 LFr | 600 | 93¾ | 94¾ | +⅛ | 9.29 |
| KREDIETCORP 7 93 LFr | 1000 | 93¼ | 94¼ | -1¼ | 9.99 |
| WORLD BANK 8 96 LFr | 1000 | 94 | 95 | | 9.46 |
| ALBERTA PROVINCE 10 92 C$ | 500 | 98 | 98¼ | -⅛ | 11.35 |
| BCE INC 9 5/8 93 C$ | 300 | 96 | 96½ | -⅛ | 11.58 |
| BELL CANADA 10 5/8 99 C$ | 150 | 96⅛ | 96⅝ | | 11.33 |
| BRITISH COLUMBIA 9 1/4 95 C$ | 150 | 96⅛ | 96⅝ | | 11.27 |
| EIB 10 1/8 98 C$ | 130 | 96⅛ | 96⅞ | | 10.85 |
| FORD CREDIT CANADA 10 94 C$ | 100 | 95¼ | 95¾ | +⅛ | 11.62 |
| GENERAL ELECT CAP 10 1/4 93 C$ | 175 | 98⅝ | 99⅛ | +⅛ | 10.81 |
| MONTREAL TRUSTCO 8 1/2 92 C$ | 100 | 94⅞ | 95⅜ | | 12.63 |
| ONTARIO HYDRO 10 7/8 99 C$ | 500 | 98⅛ | 98⅝ | -⅛ | 11.14 |
| QUEBEC PROV 10 1/2 98 C$ | 200 | 96⅝ | 97⅛ | | 11.16 |
| ROYAL TRUSTCO 10 1/4 93 C$ | 100 | 96⅛ | 97 | | 11.91 |
| SWEDEN 9 3/4 93 C$ | 250 | 97⅝ | 98⅛ | | 10.87 |
| AUSTRIA 7 3/8 93 Ecu | 125 | 93⅞ | 94⅛ | -⅛ | 10.74 |
| [illegible] | | | | | |

| FLOATING RATE NOTES | Issued | Bid | Offer | C.cpn |
|---|---|---|---|---|
| [illegible] | | | | |

| CONVERTIBLE BONDS | Issued | Cnv. price | Bid | Offer | Prem. |
|---|---|---|---|---|---|
| [illegible] | | | | | |
| EASTMAN KODAK 6 3/8 01 | 300 | 50.67 | 97 | 98 | +18.43 |
| GOLD KALGOORLIE 7 1/2 00 | 65 | 1.0554 | 65½ | 66½ | +33.69 |
| GOODYEAR TIRE 6 7/8 05 | 150 | 80¾ | 56 | 57 | |
| GRACE (WR) 6 1/4 02 | 150 | 42¼ | 72⅛ | 73⅛ | +27.03 |
| GRAND MET 6 1/4 02 £ | 100 | 6.58 | 99 | 100 | +2.59 |
| HAWLEY 6 02 PREF | 400 | 1.91 | 92⅛ | 94¼ | +25.90 |
| HILLSDOWN 4 1/2 02 £ | 150 | 4.16 | 104 | 105¼ | +76.59 |
| INTL PAPER 5 3/4 02 | 200 | 68⅝ | 88⅛ | 89⅛ | +17.55 |
| LAND SECS 6 3/4 02 £ | 84 | 6.72 | 87⅛ | 88⅛ | +9.45 |
| MITSUBISHI BK 1 3/4 02 | 300 | 2727.1 | 88 | 90 | -2.15 |
| OGDEN 6 02 | 85 | 39.077 | 67 | 68 | +26.94 |
| PACIFIC DUNLOP 6 3/4 97 | 75 | 3.749 | 102⅛ | 103⅛ | +1.70 |
| TEXAS INSTRUMENTS 2 3/4 02 | 300 | 82⅞ | 80¼ | 81¼ | +84.74 |
| THORN EMI 5 3/4 04 £ | 103 | 7.45 | 103⅛ | 104⅛ | +17.29 |

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



# Chairman of CBOT in re-election victory

By **Barbara Durr** in Chicago

MR WILLIAM O'CONNOR was re-elected chairman of the Chicago Board of Trade by a narrow margin over challenger Mr Patrick Arbor. In the final tally, released late on Wednesday night, Mr O'Connor beat Mr Arbor by 54 votes.

Mr O'Connor, a grain trader and chief of a private trading partnership, was appointed chairman in August after Mr Karsten Mahlmann resigned, following a scandal at his firm, Stotler.

While Mr O'Connor enjoyed some advantage from incumbency, this was whittled down by recent troubles at the exchange. These include the embarrassment of Stotler's collapse while Mr Mahlmann was chairman and a Federal Bureau of Investigation fraud probe that led to indictments against traders and brokers last year.

Members signalled their dissatisfaction with the handling of exchange affairs in recent years with their votes for Mr Arbor, an independent trader who had promised a fresh approach.

Mr O'Connor admitted that he did not win the mandate he would have liked, but said he intended to press forward with his plans for the exchange. The CBOT faces some important challenges and it has begun, in part thanks to initiatives by Mr O'Connor, a new era of co-operation with its traditional rival, the Chicago Mercantile Exchange.

The CBOT's most immediate need is to decide how to expand the trading floor. Mr O'Connor is willing to consider an arrangement with the CME which has an extra trading floor. This could mean a joint use of the new floor for all financial products of both exchanges.

The CBOT is also about to conclude its contractual agreement with the CME and Reuters for the start of Globex, the automated after-hours trading system that is expected to start in the second quarter of 1991. The two exchanges are also to bring out their jointly developed hand-held electronic trading card.

Mr O'Connor, who instigated a joint committee on common goals for both exchanges, may preside over several other important developments. The CBOT-CME committee is studying consolidation of clearing operations and the elimination of duplicated international offices.

Both exchanges are concerned about Chicago's slipping share of the world market, down from 66 per cent in 1985 to 47 per cent for the first nine months of 1990.

# Euroclear makes rebate of $12m

By **Simon London**

EUROCLEAR, the international bond market clearing system, is to make rebates of $12m in fees to participants in the system this year, compared with $8m in 1989 and $3.5m in 1988.

The annual rebate is split between the 2,500 firms which settle transactions through Euroclear.

Euroclear said the increase in rebate has been made possible by continuing cost-cutting measures. Earlier this year the system reduced safekeeping fees by the equivalent of $9m annually.

# INTERNATIONAL CAPITAL MARKETS

## JP Morgan breaks new ground in FFr1bn deal

By Tracy Corrigan

J.P. MORGAN became the first non-French bank to act as lead underwriter of a French franc-denominated Eurobond, when it launched a FFr1bn 8-year transaction for Crédit Local de France yesterday, having received the French Treasury's green light several months ago.

The deal was structured so that the 9¾ per cent coupon is paid either in cash or in additional fungible bonds, at the option of the investor. This means that the bonds can provide the same cash flow as zero-coupon bonds. The unusual structure proved attractive particularly for insurance companies and pension funds, mainly in France, which like to secure their reinvestment rates.

For the borrower, the deal provided attractive funding at the same yield as the French Treasuries market. J.P. Morgan provided a series of swaptions which transform the proceeds from fixed-rate into floating-rate funds, eliminating any interest rate exposure. The deal met strong demand, trading at a premium to its fixed-reoffered price of 99.50.

But, apart from such special cases, the recent surge of supply in the French market has created a surplus of paper, and demand is petering out at the end of the year.

Consequently, Compagnie Bancaire's FFr600m issue of 10½ per cent five-year bonds, via Paribas Capital Markets, met a lacklustre response, even though it was considered reasonably priced. The issue was quoted at less 1.85 bid, just within 1⅞ point fees.

In the long-dated sterling bond market, the European Investment Bank added a further £100m to its outstanding £300m loan stock issue. The 10[illegible] per cent bonds due November 2004 sold out quickly. Sole underwriter S.G. Warburg said an unusually high proportion, around 30 per cent, was sold to overseas investors – the first time for around 18 months that overseas investors have shown much interest in the long end of the sterling bond market.

### INTERNATIONAL BONDS

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| Sidek Int.(b)★★◆ | 50 | 12 | 92.9764 | 1995 | - | Kidder Peabody Int. |
| Mitsubishi Motors(c)★◆ | 400 | 4⅜ | 100 | 1994 | 2¼/1½ | Nikko Secs. |
| Dowa Mining Co.(d)★◆ | 120 | 4[illegible] | 100 | 1994 | 2¼/1½ | Nikko Secs. |
| **CANADIAN DOLLARS** | | | | | | |
| JVC(a)◆ | 75 | 11½ | 101⅝ | 1994 | 1⅜/⅞ | Hambros |
| **FRENCH FRANCS** | | | | | | |
| Credit Local de France(g)◆ | 1bn | 9¾ | 99½ | 1999 | 32½/12½ | JP Morgan Secs. |
| Compagnie Bancaire(a)◆ | 600 | 10½ | 101.675 | 1996 | 1⅞ | Paribas Cap.Mkts. |
| **SWISS FRANCS** | | | | | | |
| Kawasaki Electric(e)★★◆ | 60 | 5⅜ | 100 | 1996 | - | Banca Del Gottardo |
| Oliver Corp(a)★★◆ | 40 | 5¼ | 100 | 1995 | - | Nomura Bk (Switz) |
| City of Turku(a)★★◆ | 40 | 7¾ | 101¼ | 1996 | 1⅝ | Nordfinanz Bk |
| **YEN** | | | | | | |
| IMI Bank Int.(f)◆ | 10bn | 8 | 101⅜ | 1993 | 1⅜/⅞ | BTI |

★★Private placement. §Convertible. ♦With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Put option December 1993 at 96.6126%. Callable at 94.0827% December 1991, increasing annually to 96.1920% December 1994. Sinking fund from December 1993. c) Coupon was indicated at 4⅞%. Exercise premium fixed at 2.61%. Non-callable. d) Coupon was indicated at 4⅞%. Exercise premium fixed at 2.56%. Non-callable. e) Callable 9/1/93 at 101½% declining ¼% semi-annually thereafter. f) Nikkei-linked redemption. Non-callable. g) Coupon receivable either in cash or in additional fungible Credit Local bonds issued at par.

## Sydney FE to set up own clearing house

By Deborah Hargreaves

THE Sydney Futures Exchange to set up its own clearing house to take over clearing and settlement of its business from the London-based International Commodities Clearing House. The decision reflects a move by a growing number of derivatives exchanges to try and provide their own clearing services rather than contract them to an outside firm.

The Sydney exchange's new clearing house will begin its operations in December next year but its computer system will ready by the middle of the year. The procedure and structure of the exchange's clearing operation has been modelled on the systems in place at the major US exchanges.

Mr Les Hosking, chief executive of the SYFE, said the arrangement of having an outside clearing firm did not look appropriate for the future of the exchange. He said: "Significant advantages of the exchange's clearing system will include earlier confirmation of trades, earlier ability of both clearing house and members to establish the extent of risk and faster clearing."

Mr Hosking said that the interests of an independent clearing house could vary from those of the exchange and its members in a crisis. The new arrangement and structure will ensure there is no conflict.

## Warning on European capital market

By Richard Waters

THE DEVELOPMENT of a pan-European capital market would be held back if proposals from some EC member states were translated into European law, according to a senior figure in the German financial community.

In an interview, Mr Rüdiger von Rosen, executive vice-chairman of the Federation of German Stock Exchanges, clarified German objections to the proposals, which have the backing of France, Italy, Spain and Belgium.

These states have called for ammendments to the planned Investment Services Directive which would have the effect of channelling all securities transactions through organised stock markets, outlawing off-exchange business. The amendments are to be considered by EC finance ministers on Monday.

Warning against a ban on off-market business, Mr von Rosen said: "The hope of regaining business for the stock exchanges which has been lost as a result of protectionist measures could easily prove deceptive and delay needed structural adjustments on the part of the exchanges."

The users of stock markets would be best served if the exchanges concentrated on developing as service businesses, in competition with each other, rather than through protectionist measures, he said.

While putting the German exchanges firmly in the free-market camp, Mr von Rosen went further than states with similar views, such as the UK, on the question of reporting off-exchange transactions.

Such bargains should not have to be reported to a stock exchange, since this would not noticeably improve the protection for investors, he said. He added: "Transaction costs could be increased as a result of bureaucratic demands and the liquidity of the market could be reduced."

Governments have not tried to increase the transparency in other markets, such as the property market, and should not treat the securities market differently, said Mr von Rosen.

## A new breed of institution in Milan

### Haig Simonian reviews Italy's new stock market regulations

After weeks of parliamentary stalemate and mounting stock exchange strikes, crucial new legislation on reforming Italy's stock markets should come into effect within a matter of days.

The new regulations will help Milan to make up for months of delay and allow the country's premier stock market to polish an image clouded by inefficient settlement and rampant insider trading.

The new rules should also help dealers forget what has been one of their worst years. Addressing Milan brokers on Tuesday, Mr Attilio Ventura, the chairman of the Milan stock exchange, drew a dismal balance of a 27 per cent drop in the bourse index this year; a cut in market capitalisation to L165,000bn from L215,000bn; and a decline in the already small number of companies quoted to 231 from 235.

All he forgot was the recent sharp upswing in trading in Italian blue chips in London following the government's botched introduction of a new capital gains tax at the end of September.

Yet the bourse reform, which may put lots of lire into many brokers' pockets in emulation of the partners' pay-offs in London's "Big Bang," has not been universally welcomed by the broking community. While some big brokers look set to make a killing exploiting their access to the exchange floor while it lasts, many smaller colleagues fear extinction.

The new law will open the way for the creation of a new brand of financial institution in Italy, Societa di Intermediazione Mobiliare (Sim).

As in most other financial centres, the new Sims look set to be dominated by big banks. But under the long-awaited rules, which were finally approved by the lower house of parliament on December 6 and was rubber stamped in the Senate yesterday, a broker's presence will be mandatory in a Sim until end-1992.

That should put some of the country's 220-odd government-authorised brokers in a prime position to negotiate handsome terms with any bank planning to set up a Sim before the end-1992 deadline.

The pressure to strike deals with brokers is strong given the fact that the new Sims law also calls for all business in equities to be concentrated on the stock exchange, putting an end to the current widespread practice among banks of matching buy and sell orders in-house. Some estimates put the level of off-floor trading at double that recorded on the bourse.

The new rules lay down that all equity business will have to be transacted through the Sims within one year of the new law being published in Italy's Official Gazette.

That has confronted the banks with a delicate question of timing. The difficulty of deciding whether to strike a deal with a broker now, or wait two years until Sims can be set up independently of the broking community, explains why Milan has not yet seen the rush of bank-broking alliances commonplace in the run up to Big Bang in London.

So far, only three significant deals have been announced.

● Gemina, the financial services group controlled by Fiat, is joining forces with Credit Lyonnais of France to create a new Sim with Studio Massimo e Piero Mortari, a broker based in Rome and Milan.

● Warburgs has agreed to produce joint Italian research with Giubergia, the Turin-based broker, in what is widely expected to be the precursor for a takeover or a joint-venture Sim.

● Pastorino, the big Milan-based broker, will establish a joint venture Sim with Banca del Gottardo of Switzerland – in turn controlled by Japan's Sumitomo Bank. Although terms have not been disclosed, Pastorino is expected to have a sizeable stake in the venture.

The other links circulating so far all involve smaller institutions. Guadenzi, a Milan broker, may join forces with Banca Popolare di Bergamo, the highly profitable north Italian regional bank, while Capelli may strike a deal with Banca Popolare dell'Etruria.

Mr Megumi Nakajima, the managing director of Nomura's Milan subsidiary, says it could well be interested in setting up a Sim – although its enthusiasm may have been tempered by the slump in earnings at Japan's securities houses.

And last month, Morgan Stanley established its new Italian subsidiary in a move that may foreshadow a desire to become more closely involved in the domestic equity market.

Attilio Ventura, chairman of the Milan bourse

The fact that smaller banks and foreign houses have been quickest off the mark reflects the difficulties many bigger Italian banks are probably facing in deciding their strategies.

So far, only a handful have committed themselves. Mr Roberto Paolo Rossi, the head of securities trading at Banco di Roma, says his bank has been talking to leading brokers over the past two years, with a view to bringing two or three of the bigger houses into a joint venture Sim.

Mr Rossi thinks that eventually there will be about 60 Sims, of which half will probably involve banks, with the rest being either joint ventures between existing brokers or independent operations by some of the largest firms.

Other big banks such as Istituto Bancario San Paolo di Torino, Credito Italiano and Banco di Napoli have said that they are studying the situation carefully.

Some have already declined to take the plunge. Mr Carlo Zini, the managing director of Monte dei Paschi di Siena, said this week that his bank planned to develop its existing commission house into a Sim which would then operate on behalf of the entire Monte dei Paschi group, rather than joining forces with a broker.

Such commission houses, many of which are owned by banks and industrial companies, are already active in equity trading, but lack the all-important right to direct access to the bourse floor, explaining the banks' dilemma.

Rumours suggest some bigger or better-known brokers may also be thinking of going it alone. Hence the talk of a "super-Sim" between Ventura, Fumagalli, Matturri, Borroni and Soldan. Aletti, another established broker, is also thought to prefer a solution within the broking community.

By contrast, Albertini is to be advised by Rothschilds on developments concerning rumours that its lengthy foreign client list makes it a likely partner for a non-Italian bank.

While more banks and brokers climb on the merry-go-round, attention will remain focused on Rome, where the Sims law is the biggest, but only one, of a number of crucial financial logs which have been jammed in the legislative process, and which now look set to move downstream.

Parliamentary approval for the Sims should be quickly followed by a law banning insider trading – one of the most glaring omissions on the current Italian stock market scene.

According to Mr Franco Piro, the chairman of the finance committee of the lower house of parliament, legislation on insider trading is imminent. A draft bill has already been passed in the Chamber of Deputies, and awaits approval by the Senate, which "shouldn't take too long", he says.

Insider trading rules have had to await the Sims law on account of the need for a precise legal definition of who should come under the ambit of any new rules on the use of privileged information.

The new rules, once passed, will remove one of the most inequitable aspects of Italian corporate finance, whereby crucial stakes in companies can change hands for inflated prices, while minority shareholders are either ignored or offered far lower values.

For Mr Piro, the three pieces of legislation represent the end of a long, and at times seemingly hopeless, campaign to improve the face of Italian finance. "I was always optimistic," he says. "The latest events have shown that optimism had a foundation."

But with the market closing the year on a bearish note and continuing uncertainty about capital gains tax, even those brokers planning to sell out are keeping a low profile.

# LONDON MARKET STATISTICS

## FT-ACTUARIES SHARE INDICES

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| EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Thu Dec 13 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%)) | Est. P/E Ratio (Net) | xd adj. 1990 to date | Wed Dec 12 Index No. | Tue Dec 11 Index No. | Mon Dec 10 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (196) | 725.36 | +0.3 | 14.66 | 6.59 | 8.32 | 35.31 | 722.92 | 725.24 | 729.41 | 906.06 |
| 2 Building Materials (26) | 982.54 | – | 14.67 | 6.22 | 8.39 | 45.71 | 982.74 | 983.34 | 979.45 | 1074.85 |
| 3 Contracting, Construction (34) | 1138.43 | +0.1 | 16.46 | 7.07 | 7.90 | 59.58 | 1137.47 | 1137.93 | 1142.55 | 1470.58 |
| 4 Electricals (10) | 1923.00 | +0.1 | 14.51 | 6.94 | 8.37 | 99.22 | 1902.02 | 1919.97 | 1934.34 | 2628.61 |
| 5 Electronics (26) | 1549.67 | +1.1 | 10.33 | 5.55 | 12.91 | 61.02 | 1533.11 | 1528.98 | 1538.16 | 1930.43 |
| 6 Engineering-Aerospace (8) | 400.00 | +0.4 | 16.78 | 6.10 | 7.14 | 17.27 | 398.27 | 399.15 | 407.51 | 0.00 |
| 7 Engineering-General (48) | 370.00 | – | 15.71 | 6.93 | 7.69 | 19.28 | 370.07 | 370.29 | 372.59 | 0.00 |
| 8 Metals and Metal Forming (8) | 400.08 | -1.5 | 22.64 | 8.67 | 5.46 | 25.45 | 406.60 | 412.04 | 413.18 | 477.37 |
| 9 Motors (13) | 292.77 | – | 17.06 | 8.22 | 6.83 | 17.45 | 292.80 | 295.85 | 298.45 | 375.75 |
| 10 Other Industrial Materials (23) | 1267.37 | +0.7 | 13.30 | 6.46 | 8.70 | 62.57 | 1258.52 | 1267.24 | 1278.13 | 1737.95 |
| 21 CONSUMER GROUP (178) | 1231.36 | +0.6 | 9.98 | 4.21 | 12.45 | 38.20 | 1225.57 | 1231.87 | 1240.24 | 1320.90 |
| 22 Brewers and Distillers (22) | 1588.39 | +1.2 | 10.25 | 3.92 | 12.01 | 42.93 | 1569.63 | 1579.74 | 1583.38 | 1525.87 |
| 23 Food Manufacturing (19) | 1035.21 | +0.7 | 11.21 | 4.78 | 10.98 | 34.87 | 1028.43 | 1031.02 | 1031.71 | 1158.90 |
| 24 Food Retailing (16) | 2271.53 | +0.3 | 9.90 | 3.31 | 13.20 | 64.97 | 2264.39 | 2263.40 | 2289.16 | 2259.42 |
| 25 Health and Household (18) | 2584.44 | +1.4 | 6.91 | 2.93 | 17.14 | 59.28 | 2547.58 | 2560.15 | 2548.37 | 2745.81 |
| 26 Leisure (32) | 1229.97 | +1.2 | 12.08 | 5.42 | 10.04 | 48.00 | 1214.06 | 1228.73 | 1235.86 | 1651.26 |
| 31 Packaging & Paper (12) | 525.71 | -0.1 | 12.25 | 5.62 | 10.03 | 24.32 | 526.45 | 527.65 | 530.31 | 643.46 |
| 32 Publishing & Printing (15) | 2970.41 | +0.3 | 12.10 | 6.38 | 10.34 | 140.95 | 2961.84 | 2958.66 | 2984.64 | 3792.45 |
| 34 Stores (34) | 794.03 | -0.5 | 10.76 | 4.60 | 12.08 | 25.73 | 797.93 | 801.98 | 800.42 | 791.21 |
| 35 Textiles (12) | 399.78 | -7.1 | 14.57 | 8.08 | 8.81 | 17.62 | 430.50 | 433.19 | 430.81 | 529.55 |
| 40 OTHER GROUPS (105) | 1026.02 | +1.0 | 12.39 | 5.63 | 9.77 | 35.54 | 1016.22 | 1017.59 | 1023.78 | 1175.19 |
| 41 Agencies (14) | 949.43 | +1.9 | 11.21 | 3.54 | 10.81 | 25.06 | 932.30 | 927.22 | 918.06 | 1083.64 |
| 42 Chemicals (24) | 1093.00 | +0.9 | 11.67 | 6.07 | 10.81 | 51.96 | 1087.71 | 1086.49 | 1086.79 | 1209.36 |
| 43 Conglomerates (13) | 1323.75 | +1.3 | 13.08 | 7.56 | 9.13 | 45.14 | 1298.94 | 1293.99 | 1301.37 | 1643.16 |
| 44 Transport (15) | 1920.87 | +0.9 | 13.55 | 5.32 | 9.08 | 79.19 | 1903.30 | 1903.26 | 1930.60 | 2301.88 |
| 45 Telephone Networks (3) | 1159.80 | +1.7 | 11.33 | 4.95 | 11.56 | 27.94 | 1140.92 | 1157.09 | 1172.85 | 1130.93 |
| 47 Water (10) | 2172.27 | -0.8 | 14.42 | 6.45 | 7.82 | 68.12 | 2189.43 | 2170.15 | 2215.85 | 0.00 |
| 48 Miscellaneous (26) | 1610.24 | -0.2 | 11.64 | 5.51 | 9.99 | 66.29 | 1612.83 | 1596.29 | 1589.95 | 1919.58 |
| 49 INDUSTRIAL GROUP (479) | 1046.06 | +0.7 | 11.74 | 5.17 | 10.44 | 37.64 | 1039.06 | 1042.61 | 1049.35 | 1185.78 |
| 51 Oil & Gas (21) | 2276.43 | +0.1 | 9.83 | 5.60 | 13.29 | 95.42 | 2274.66 | 2285.11 | 2300.65 | 2388.40 |
| 59 500 SHARE INDEX (500) | 1147.61 | +0.6 | 11.46 | 5.23 | 10.78 | 42.32 | 1140.95 | 1144.87 | 1152.51 | 1286.19 |
| 61 FINANCIAL GROUP (102) | 726.33 | +0.5 | – | 5.86 | – | 35.36 | 726.99 | 730.86 | 738.34 | 836.83 |
| 62 Banks (9) | 783.27 | +1.5 | 20.57 | 7.39 | 6.37 | 43.40 | 773.24 | 775.26 | 787.45 | 867.02 |
| 65 Insurance (Life) (7) | 1311.19 | -0.1 | – | 5.86 | – | 55.82 | 1313.04 | 1309.82 | 1344.34 | 1390.58 |
| 66 Insurance (Composite) (6) | 631.07 | -0.9 | – | 6.09 | – | 32.08 | 637.07 | 641.82 | 646.45 | 714.21 |
| 67 Insurance (Brokers) (8) | 972.51 | +0.5 | 7.78 | 6.64 | 16.83 | 48.39 | 967.67 | 989.73 | 1002.36 | 1138.69 |
| 68 Merchant Banks (7) | 356.33 | +0.2 | 5.44 | 5.77 | 24.50 | 15.48 | 355.79 | 357.18 | 358.00 | 479.07 |
| 69 Property (44) | 991.58 | +0.6 | 7.13 | 5.02 | 18.95 | 35.10 | 985.55 | 982.26 | 991.50 | 1215.59 |
| 70 Other Financial (21) | 255.31 | +0.1 | 10.90 | 7.10 | 11.62 | 14.00 | 255.01 | 254.11 | 254.96 | 333.03 |
| 71 Investment Trusts (70) | 1024.76 | +0.2 | – | 3.94 | – | 29.58 | 1023.13 | 1024.85 | 1025.57 | 1292.12 |
| 91 Overseas Traders (5) | 1187.67 | -1.4 | 12.02 | 7.78 | 9.91 | 70.90 | 1204.22 | 1215.17 | 1234.84 | 1521.43 |
| 99 ALL-SHARE INDEX (677) | 1044.39 | +0.5 | – | 5.41 | – | 40.20 | 1038.76 | 1042.43 | 1049.99 | 1179.48 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Dec 12 | Dec 11 | Dec 10 | Dec 7 | Dec 6 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX‡ | 2172.2 | +15.3 | 2172.2 | 2148.1 | 2156.9 | 2165.8 | 2182.5 | 2183.4 | 2177.5 | 2367.0 |

## FIXED INTEREST

| PRICE INDICES | Thu Dec 13 | Day's change % | Wed Dec 12 | xd adj. today | xd adj. 1990 to date |
|---|---|---|---|---|---|
| **British Government** | | | | | |
| 1 Up to 5 years | 119.69 | -0.13 | 119.84 | – | 11.51 |
| 2 5-15 years | 129.61 | +0.10 | 129.80 | 0.31 | 12.68 |
| 3 Over 15 years | 132.60 | +0.22 | 132.31 | – | 11.90 |
| 4 Irredeemables | 149.01 | -0.11 | 149.18 | – | 13.70 |
| 5 All stocks | 128.35 | +0.03 | 128.49 | 0.18 | 12.35 |
| **Index-Linked** | | | | | |
| 6 Up to 5 years | 157.64 | -0.16 | 157.89 | – | 3.04 |
| 7 Over 5 years | 145.60 | +0.07 | 145.72 | 0.22 | 3.82 |
| 8 All stocks | 146.39 | +0.05 | 146.52 | 0.20 | 3.75 |
| 9 Debentures & Loans | 103.72 | +0.08 | 103.64 | – | 11.35 |
| 10 Preference | 73.99 | +0.19 | 73.84 | – | 6.66 |

| AVERAGE GROSS REDEMPTION YIELDS | | Thu Dec 13 | Wed Dec 12 | Year ago (approx.) |
|---|---|---|---|---|
| **British Government** | | | | |
| 1 Low Coupons | 5 years | 9.62 | 9.61 | 10.36 |
| 2 | 15 years | 10.02 | 10.02 | 9.74 |
| 3 | 25 years | 10.05 | 10.05 | 9.65 |
| 4 Medium Coupons | 5 years | 10.85 | 10.82 | 11.26 |
| 5 | 15 years | 10.34 | 10.37 | 10.10 |
| 6 | 25 years | 10.19 | 10.21 | 9.73 |
| 7 High Coupons | 5 years | 10.97 | 10.94 | 11.41 |
| 8 | 15 years | 10.52 | 10.55 | 10.30 |
| 9 | 25 years | 10.31 | 10.35 | 9.86 |
| 10 Irredeemables† | | 10.27 | 10.26 | 9.73 |
| **Index-Linked** | | | | |
| 11 Inflation rate 5% | Up to 5yrs. | 4.02 | 3.92 | 3.72 |
| 12 Inflation rate 5% | Over 5 yrs. | 4.12 | 4.12 | 3.61 |
| 13 Inflation rate 10% | Up to 5 yrs. | 2.81 | 2.71 | 2.90 |
| 14 Inflation rate 10% | Over 5 yrs. | 3.94 | 3.95 | 3.45 |
| 15 Debs & Loans | 5 years | 12.52 | 12.58 | 12.92 |
| 16 | 15 years | 12.32 | 12.34 | 12.42 |
| 17 | 25 years | 12.13 | 12.13 | 12.06 |
| 18 Preference† | | 12.76 | 12.79 | 10.77 |

‡Opening index 2161.4; 9 am 2156.3; 10 am 2149.2; 11 am 2153.7; Noon 2158.0; 1 pm 2164.3; 2 pm 2163.9; 2.30 pm 2161.6; 3 pm 2163.0; 4.10 pm 2169.1; (a) 4.30pm (b) 9.49am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. YEAR END RECLASSIFICATIONS: 48 changes are tabulated on page 18 of the December 10th issue of the Financial Times.

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 36 | 42 | 8 |
| Corporations, Dominion and Foreign Bonds | 2 | 0 | 19 |
| Industrials | 330 | 284 | 944 |
| Financial and Properties | 159 | 133 | 455 |
| Oils | 19 | 34 | 40 |
| Plantations | 0 | 1 | 9 |
| Mines | 14 | 51 | 88 |
| Others | 76 | 54 | 88 |
| Totals | 636 | 599 | 1,651 |

## LONDON RECENT ISSUES

### EQUITIES

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1990 High | 1990 Low | Stock | Closing Price p | + or - | Net Div. | Times Covered | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | | |

### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1990 High | 1990 Low | Stock | Closing Price £ | + or - |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

### RIGHTS OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1990 High | 1990 Low | Stock | Closing Price p | + or - |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

## TRADITIONAL OPTIONS

● First Dealings Nov 26
● Last Dealings Dec 14
● Last Declarations Mar 7
● For settlement Mar 18

For rate indications see end of London Share Service

Calls in: Brent Walker, Brunning, Continuous Stationery, Next, Tusker Res, Westland Warrants. Call & Put: Monument Oil & Gas.

## LONDON TRADED OPTIONS

A SHORTAGE of stock on the equity market boosted the derivative markets yesterday. The FT-SE 100 index futures were lifted by a late burst of short-covering, which also prompted a burst of activity in index options.

The cash market provided the lead as bid speculation revived in a number of selected FT-SE stocks. This outweighed gloomy news from securities houses, where further jobs were lost, and further profit downgradings.

The December FT-SE eventually settled 21 higher at 2,187. Its premium over the cash index ended at 17 points, against 10 in the previous session and fair value of 5.

The stronger premium partly reflected a more optimistic tone on the futures market. Investors took advantage of the high premium to switch out of December into March.

Dealing on the traded options market rose slightly, as investors closed positions in December FT-SE options, which expire at the end of the month. A total of 26,615 contracts traded, which was weighted towards calls. The FT-SE options traded 8,273. The June 1,800 puts were the most active.

Among the stock options, British Steel was the busiest, as worries grew about the impact of the UK economic slowdown. A total of 1,052 contracts traded, almost all of which were April 120 puts.

Trafalgar House was boosted by bid speculation. Of the 1,002 lots that changed hands, most were January 220 calls.

Weakness in oil prices prompted interest in BP options, with 865 changing hands. The April 330 calls were the most popular.

The electricity flotation continued to provide some activity. The Electricity Package traded 854 lots, of which 739 were calls and 115 were puts. The March 1550 calls were the most active. A total of 846 Euro FT-SE options changed hands, with the December 2,075 puts the busiest.

| Option | | CALLS Jan | Apr | Jul | PUTS Jan | Apr | Jul |
|---|---|---|---|---|---|---|---|
| Alld Lyons | 460 | 41 | 63 | 70 | 6 | 14 | 18 |
| [illegible] | | | | | | | |

| Option | | CALLS Jan | Apr | Jul | PUTS Jan | Apr | Jul |
|---|---|---|---|---|---|---|---|
| Unilever | 650 | 52 | 75 | 90 | 9 | 22 | 27 |
| [illegible] | | | | | | | |

| Option | | CALLS Dec | Mar | Jun | PUTS Dec | Mar | Jun |
|---|---|---|---|---|---|---|---|
| Amstrad | 60 | 6 | 11½ | 14 | 1½ | 5 | 7 |
| [illegible] | | | | | | | |

# Next shares recover to 14½p after reassurance on borrowing position

By John Thornhill

NEXT, the fashion chain and mail order group, was hit by stock market jitters yesterday as its share price tumbled from 15½p to 6½p in heavy turnover, before recovering to 14½p after the company released a reassuring trading statement.

The shares have fallen this year from a peak of 108p.

Investors seemed to panic about the viability of the company as speculation swirled around the market that the company was in crisis talks with its bankers and would be unable to repay two convertible bond issues due in 1992.

The slide was exacerbated by a downgrading from Goldman Sachs. The US investment bank reduced its profits forecast from £10m to £2m for the current year because of difficult trading conditions.

Next issued a mid-afternoon statement saying that it was operating within its borrowing facilities and continued to enjoy the support of its bankers.

The company added that it continued to expect a profitable outcome from its retail and home shopping operations in the current year. It also announced the disposal of a property for £4m. Earlier this year, Next sold property worth £28.75m.

Negotiations about the sale of the Club 24 credit card operations were said to be continuing, although analysts believed that if no buyer could be found the company would wind it down, thereby releasing perhaps £30m – depending on provisions for bad debts.

About £50m worth of bonds become due for repayment in January 1992, followed by a further £105m in October.

Next's 5¾ per cent 2003 convertible bonds fell sharply yesterday as trading virtually ground to a halt. The price for every bond of £1,000 face value fell from about £650 to £400.

Mr Paul Deacon, retail analyst at Goldman Sachs, said: "It is wrong to assume that the company is suddenly going to go bust tomorrow. The problem lies a long way out, with the refinancing of the bonds."

Mr John Richards, at County NatWest, agreed: "There is no question about its ability to survive right now and into next year, but people are increasingly realising that time is running out."

# Suspended Shanks and Rechem hold talks

By Richard Gourlay

SHARES IN Rechem Environmental Services, the hazardous waste disposal company, and Shanks & McEwan Group, the construction and waste management group, were suspended yesterday morning pending an announcement, triggering speculation that a merger was imminent.

The two companies operate at the top end of their respective sectors, with Shanks holding options on a large bank of landfill sites and Rechem, one of the UK's two main incinerators of toxic waste.

Some analysts expected a straight merger while others were looking for a cash payment from Shanks following a vendor placement.

Reaction to the industrial logic of the move was also mixed. Mr Roger Hardman, analyst at James Capel, said the companies' customer bases were totally different and that toxic waste incineration needed very little landfill space.

Mr Charles Lambert at Smith New Court, said there was commercial logic as long as the management groups could knit together.

Shanks, announced pre-tax profits of £10.4m for the half year to end-September on turnover of £57m. Hanson has a 17 per cent interest and remains one of the group's main suppliers of landfill sites.

Rechem, which emerged from BET, the conglomerate, in a management buy-out in 1985 and is which is still dominated by its founding directors, reported £4m pre-tax profit on sales of £11.2m.

Rechem has just opened a new toxic waste incinerator at Fawley, Hampshire, and in May announced plans to set up a joint venture with Ecodeco, an Italian waste disposal company. It has recently expressed a desire to move into landfill sites, just as Shanks has considered incineration, according to Mr Lambert.

Both companies are headed by strong personalities, Mr Malcolm Lee, the managing director at Rechem and Mr Roger Hewitt, the managing director at Shanks, whose relationship would have to be carefully considered in any merger.

The announcement of the suspension came before trading began. Rechem closed on Wednesday at 574p and Shanks at 128p.

See Lex

## IN BRIEF

HEYWOOD WILLIAMS has acquired, through its subsidiary Heywood Williams Glass, Double Quick Glazing Supplies, Double Quick Supplies and Redline Contracts. The initial consideration of £2m has been satisfied by the issue of £1.75m of loan notes and £250,000 cash. Additional consideration, equal to three times pre-tax profits in excess of £1m for the two years to December 31 1992, is payable subject to a maximum of £2m.

NORBAIN ELECTRONICS' shareholders voted unanimously in favour of the sale of its Technology Division to Arlen for approximately £1.35m.

WILLIAM LOW's rights issue was taken up in respect of 12.04m (88.1 per cent) of the 13.67m new ordinary shares offered. The balance has been sold in the market at 285p.

# Property disposals and lower interest aids Greenall Whitley

By Maggie Urry

LOWER INTEREST charges and higher property disposal profits helped Greenall Whitley, the pubs, hotels and property group, to achieve a 19.5 per cent increase in pre-tax profits, from £52m to £62.23m, in the year to September 28.

However, the shares fell 13p to 324p, as the market expressed disappointment with the figures.

At the end of August Greenall announced it would close its breweries next February. The cost of this move of £48.88m, plus a £15.6m write down of the US hotel chain assets to a "realisable value" of £22m and reorganisation costs of £14.5m, were treated as extraordinary debits. After crediting a £22m profit on the sale of Vladivar Vodka, extraordinary items took £67m (credit £4.7m). As a result there was a retained loss of £22.7m (profit £31.2m).

A revaluation surplus of £42m on the group's De Vere hotels, helped shareholders funds to rise slightly to £792.4m (£782m). Net debt at the year end was £155.7m (£168.2m).

Mr Christopher Hatton, chairman, said the brewery closures would help the group's retail activities, but because of the economic climate "we remain cautious about trading in the short term."

Group turnover was barely changed at £497.5m (£497m), and operating profits were 6.5 per cent ahead at £68.4m (£64.2m). Interest charges came to £18.5m (£19.2m) and property disposal profits were £12.2m (£7.7m).

Mr Andrew Thomas, managing director, said there had been a slowing in profit growth over the year, partly as a result of the Vladivar sale at the end of the first half. Profits from this business were £1.3m (£2.5m). Also the market weakened as the economic climate worsened.

Operating profits from pubs and brewing rose 5 per cent to £38.8m (£36.9m). Mr Thomas said the breweries had been losing several million pounds compared with the prices the group would be buying beer at under new supply arrangements. The catering business increased operating profits by 16 per cent to £5.7m (£4.9m) although there had been some trading down by customers.

Trevor Humphries

Andrew Thomas (centre), managing director of Greenall Whitley, flanked by Stuart Reed (left) md of subsidiary De Vere Hotels and Peter Greenall, Greenall Inns chairman

The hotels business saw profits rise 12 per cent to £18.4m (£16.5m) of which the US chain made £100,000 (£300,000). The second half suffered from the recession, for example there had been cases of conferences being cancelled at the last minute, Mr Thomas said. The wines and spirits, off licences and fruit machine division made £7.3m (£6.2m), an 18 per cent increase.

Fully diluted earnings per share were 34.8p (28.1p), up 24 per cent, aided by a lower tax rate. A final dividend of 6p gives a total of 10p (8.7p), up 15 per cent.

● COMMENT

Greenall's strategic decision to close its breweries, which should lead to significant savings, is undoubtedly right. So is the concentration on its retailing activities. Greenall has also bitten the bullet on the balance sheet. The task facing the group now is to make the best of these decisions. The long-running problems in the US hotel business – which may need an upturn in the market before it can be sold – is not an encouraging sign. And its UK hotel business seems to be facing a tough period. With property profits likely to continue at a high level, the group's rating ought to be somewhat lower than average for the sector. Forecasts of about £68m pre-tax, including property, and a rising tax rate give a prospective p/e of about 9 which is not enticing.

# Eurocopy advances 60% to £11.32m

By David Owen

EUROCOPY, the office equipment supplier which recently admitted past malpractice at a Scottish subsidiary acquired in March 1989, reported a 60 per cent advance from £7.07m to £11.32m in annual pre-tax profits.

Turnover for the year to September 30 rose by 40 per cent to £48.22m (£34.48m). Of this, 44 per cent came from metered income and other service revenue, up from 35 per cent in 1989. The group specialises in supplying photocopiers and facsimile equipment.

Earnings per share climbed from 10.45p to 15.23p. A final dividend of 2.9p (2.1p) is recommended, making a total of 4p (3p). The shares gained 1p to 157p.

The malpractice related to a type of flex lease offered by Purdie & Kirkpatrick, a business bought by Eurocopy from Sketchley as part of the £14.2m Equipu acquisition. These typically offered customers the option of upgrading to new equipment after 18 months.

According to Eurocopy, malpractice was "stamped out" in the wake of staff changes made in February 1990. "Anything from the middle of February is so kosher it's unbelievable," said Mr Cyril Gay, chairman.

Mr Gay said that the group had so far identified 50 cases in which customers had been misled and had settled the related leases at its own expense. A total of £238,000, from a £500,000 provision established on the purchase of Equipu, has to date been used for this purpose, with the balance carried forward.

Costs incurred in recompensing customers for actions which occurred before Eurocopy bought Equipu are to be the subject of a claim against Sketchley. The group said in October that it was "reviewing warranty claims" against the dry cleaning and vending company "in accordance with a formula which provides for up to 11.9 times the loss suffered."

An additional £286,000 has been charged against profits for the year just ended to meet "the maximum foreseeable cost" of releasing customers from improperly obtained contracts agreed after Eurocopy's acquisition of Equipu.

Mr Gay's current estimate of the number of cases in which customers' complaints may be justified is "about 100." "We have had a grand total of 207 letters complaining about being misled," he said.

At the year end, the group had cash balances and short-term investments of £9.2m. It said that sales of furniture and general office supplies had fallen sharply due to policy changes.

# Electricity privatisation buoys Doctus

By Clare Pearson

PRIVATISATION OF the electricity industry helped Doctus, a management, marketing and human resources consultancy, shrug off the UK economic gloom and achieve a 35 per cent increase, from £8.44m to £11.43m, in pre-tax profits for the year to end-September.

Ahead of the planned flotation of the two companies next year, Doctus advised Scottish Hydro Electric on how to improve its profitability and provided workers made redundant by National Power, the generator, with outplacement services.

But Doctus' substantial operations outside the UK and especially in Europe were also behind a profits rise which Mr Brian Blake, chairman, described as "remarkable, especially given that it was entirely organic."

Mr Blake added that the outlook for this year also looked bright as forward order books currently amounted to 26 weeks' work.

Operating profits increased from £11.25m to £16.07m on a 10 per cent rise in turnover to £145.04m (£132.13m). However, partly reflecting the costs of moving the headquarters of one division from Alabama to London, interest charges rose to £4.64m (£2.8m).

Mr Blake said the company was hoping to cut net debt this year of £25m through disposal of certain small parts of the group.

There was a 25 per cent increase in share capital due mainly to earn-outs on Prospective, the core part of the marketing division which Doctus acquired last year.

The final dividend is lifted to 2.72p making 3.5p (3.05p).

# Hoskyns up 13% in hard year

By Alan Cane

HOSKYNS, the computing services group bought earlier this year by the European market leader, Cap-Gemini-Sogeti of France, yesterday reported its 13th successive year of growth.

In spite of market conditions which Mr Geoff Unwin, chairman, described as "tough and likely to remain so", the group pushed turnover up by 18 per cent from £189m to £223m while pre-tax profits grew by 13 per cent to £17.25m in the year ended October 30 1990.

Earnings per share showed an increase of 8 per cent at 13p and the group is proposing a final dividend of 1.65p making a total payment for the year of 2.4p, compared with 2.1p last time.

Mr Unwin warned, however, that sales were unlikely to grow materially next year as the economic climate took its toll.

He attributed the group's success to date to its ability to take advantage of two market opportunities.

First, the growth of open systems based on industry standards which presented new possibilities for the company's systems integration skills.

In the past year and in a break with previous practice, a number of large companies had decided to move to open systems.

Second, an accelerating trend to facilities management (FM) where companies turn over control of their data processing activities to a services company.

Hoskyns, which pioneered FM in the UK, now derives 48 per cent of its revenues from the service. Mr Unwin said that customers turned increasingly to FM when market conditions toughened. Sourcing data processing outside the company had become a management fashion, he said.

He added that the take-over by CGS had put an end to a period of uncertainty which had hurt business in the first half of the year. It was proving a successful collaboration and the two companies were actively seeking FM opportunities in Europe.

"It is a pleasure" Mr Unwin said "to work with a parent which understands the computing services business". Hoskyns' two previous owners were Plessey and Siemens/GEC, both principally electronics groups.

● COMMENT

Hoskyns' results for 1990 confirm its reputation as the safest bet in a sector fraught with risk and uncertainty. Other large UK-based computing services companies have reported reduced profits or outright losses this year. Hoskyns has never made any bones about the difficulty of the market in the coming year; customers have cut back on capital purchases including computers which reduces opportunities for systems integration activities. Furthermore, it has to replace £20m of revenue lost through the run down of FM contracts with the London Residuary Body and with GEC.

Through its acquisition by CGS, however, it is now part of the largest European computer services group, and its strength in FM is second to none. CGS is believed to be anxious to develop FM opportunities in Europe in concert with Hoskyns. Some 90 per cent of Hoskyns' business is still in the UK and it is anxious to spread its influence. Both companies, moreover, have a reputation for cautious, prudent management with a market aversion for taking unwarranted risks. It would be remarkable if it did not show marked resilience in the tough times ahead.

# Bux sale realises £11m profit at NMC

By Richard Gourlay

NMC GROUP, which has interests in paper, plastic packaging, printing and property, yesterday reported a 26 per cent fall in pre-tax profits in the first six months to September, but an extraordinary profit of £11.1m following the sale of a subsidiary.

Pre-tax profits fell from £5.39m to £4m on turnover only 6.8 per cent lower at £59.5m as a result of an improvement in property trading.

As a result of the sale of Bux Corrugated Containers for £24.3m, the group reversed a £1.6m net interest charge last year with a small surplus in the period.

Mr Norman Gordon, chief executive, said packaging interests had traded at last year's levels in spite of the fall in activity experienced by others in the sector.

The group had also traded profitably in property in the first half, though down on the same period last year. Diluted earnings per share were 4.74p (5.97p) and the interim dividend unchanged at 1.25p.

# Berisford to raise £38m via further disposal

By Maggie Urry

BERISFORD International, the commodities and property group, is raising another £38m cash through a disposal.

Last Saturday it agreed to sell British Sugar, its sugar beet processing subsidiary, for £880m. On Monday it reported a retained loss of £326.3m in its last financial year largely because of write-offs on its UK and New York properties.

The group had been struggling with over £1bn of debt, but following disposals arranged since the financial year end in September, including that of British Sugar and yesterday's deal, debt has been reduced to under £210m.

Agreement has been reached for a £38m sale of its 25 per cent stake in the Grace Cocoa Partnership, with the other parent WR Grace, the US group. Grace Cocoa makes cocoa and chocolate products for the baking, confectionery and dairy industries, including chocolate chips for cookies.

Berisford's profits in the 1989-90 financial year included £5.7m from Grace Cocoa, and Mr Murray Stuart, finance director, said the interest savings from the cash should offset the loss of profits. The sale price is based on estimated net asset value at December 31 plus a small premium. Completion is due in January and the cash received will go to cut borrowings.

Berisford has also completed the sale of its 40 per cent stake in Two Rodeo Drive, a luxury shopping complex in the Beverley Hills district of Los Angeles, California, which was agreed in June. The price is $29.6m (£15.3m) which is a premium to book value.

The share price fell 1p to 15p yesterday, a drop from 28½p on Friday night, before the British Sugar sale and the results were announced.

# Watson & Philip rises 34%

By Clay Harris, Consumer Industries Editor

Watson & Philip, the Dundee-based stores and food service group with ambitious plans for expansion in England, increased pre-tax profits by 34 per cent from £3.75m to £5.02m.

Turnover rose by 9 per cent to £252.8m (£231m) in the 52 weeks to October 26. Excluding Caterfrost, the frozen foods distributor it sold to Brake Bros, turnover grew by 12 per cent, said Mr Ian Macpherson, chairman and chief executive.

All divisions – cash and carry, retail services and stores, and catering services – contributed to a 34 per cent increase in trading profits, but catering was the star performer with a 63 per cent rise. It was enlarged last week with the £2.49m purchase of Job's Fast Food Distribution from Unigate.

The Job's deal manifests W&P's desire to take advantage of the shake-up in food supply arrangements which it expects to follow the recent takeover of Fitch Lovell by Booker. Mr Macpherson believes many customers will try to avoid giving all their business to Booker Fitch, the UK market leader.

W&P also plans to expand its base of Spar and VG outlets in Scotland through acquisition and signing up new independents.

Before buying Job's, it had reduced its net borrowings to £400,000 (£5.8m) at the year end. Interest payments fell to £279,000 (£455,000).

W&P treated as exceptional the £108,000 in compensation paid to Mr Edward Thompson, managing director for retail services and stores, who left the company after the year end.

Writing back goodwill on Caterfrost, which spent only 18 months in the group, created a £441,000 extraordinary credit.

Earnings per share advanced by 26 per cent to 21.3p (16.9p), and a final dividend of 8.5p raises the total by 15 per cent to 11.6p (10.1p).

# Arthur Lee declines 34% as interest charges double

By Richard Gourlay

ARTHUR LEE, the Sheffield-based steel and plastics group in which GM Firth, the engineer, holds a 20 per cent stake, yesterday reported a 34 per cent fall in annual profits after interest charges doubled.

Pre-tax profits fell from £7.74m to £5.12m on sales ahead to £120.8m (£119.65m), with lower margins in both the plastics division and the steel and related products area.

The interest charge rose to £1.4m (£727,000) as rates increased and debt rose following an £8m capital expenditure programme that will continue on the same scale this year.

In spite of a £4.8m cut in stocks and debtor levels, gearing over the year rose from 10 per cent to 20.3 per cent.

Mr Peter Lee, chairman, said the recession had hit sales, but the diversification from commodity steels towards specialist products and plastics placed the group in a better position to cope with the downturn.

During the year an extraordinary provision of £303,000 was made to cover the closure of two subsidiaries, the sale of which netted the company £1.2m.

Some £388,000 of bad debt was incurred in connection with the failure of customers in the construction industry. Mr Lee said their collapse had taken the company by surprise, but he did not anticipate more bad debts.

Most of the steel stockholding businesses experienced difficult trading conditions, but demand remained firm within the offshore oil industry and helped the Cromdane Steel subsidiary.

Sales of video cassettes in the plastics division were hit by the collapse of Parkfield, the video distribution company.

Earnings per share fell from 16.8p to 11p. The proposed unchanged final dividend of 4.25p gives a total of 5.9p (5.8p) for the year to September 30.

# Property disposals help lift Stakis 13% to £30m

By Andrew Bolger

STAKIS, the hotels, casinos and healthcare homes group, achieved a 13 per cent increase in pre-tax profits from £27.11m to £30.6m in the year to September 30, thanks to substantial property disposals.

Turnover rose to £150.35m (£143.22m) and earnings per share by 31 per cent to 12.06p (9.22p). A final dividend of 1.8p (1.6p) raises the total for the year to 2.7p (2.31p).

Stakis said the rationalisation and reorganisation of its hotel portfolio resulted in a net gain of £15.9m, compared with £3m in 1989.

Interest charges jumped to £8.9m (£3.7m) because of increased borrowings and higher interest rates. The effect of the latter, which rose sharply in the second half of the year, had been mitigated by entering into fixed interest rate arrangements.

A tax credit of £1.8m for the year compared with a charge of £2.77m last time. Net borrowings were £151m (£99m), increasing gearing from 35 per cent to 43 per cent.

A triennial revaluation of property assets had increased net asset value to 131p per share.

Mr Andros Stakis, managing director, said: "Our development strategy remains unchanged, but the pace of implementation is being curtailed while the present economic conditions prevail."

Ashley Ashwood

Andros Stakis (left) and Neil Chisman, finance director: pace of development curtailed

The group said Stakis Hotels achieved satisfactory results, with trading profits of £27.6m (£16.47m) on turnover of £83.4m (£76.34m). While increasingly difficult economic conditions had forced the group to slow down the pace of transition from mature assets to newer products, achievements were in line with expectations.

Stakis Leisure, which includes 19 casinos and 45 pubs, produced trading profit of £8.75m (£8.66m). It said casinos grew very solidly. In June, Stakis bought the Barracuda Club in London for £11.5m, although it was unable to take control until November. A significant contribution to group profits was expected from the club in the coming year.

The group said its portfolio of public houses had traded well. Its strategy of cautious expansion was reflected in the acquisition of the Firkin chain for £9.7m in September, too late for any contribution.

Trading profit from the property division fell to £2.94m (£5.26m). Although lower than last year's figure, it represented a significant increase in the level of profit relative to turnover, which fell from £14.78m to £4.55m.

In its second full year of trading, the healthcare division, again contributed profits of £1.5m.

● COMMENT

Forecasts for next year's pre-tax profits range from £15m to £20m. Given that Stakis is unlikeley to enjoy any significant property profits in the current market, the difficulties arise from working out what sort of benefits it will gain from acquisitions such as the Barracuda Club casino and the Firkin pubs. Everyone, the company included, agrees that things will continue to be tough in hotels. Taking the more conservative estimate gives earnings of 5.6p and puts the shares, down 1p at 47p, on a multiple of 8.4. The shares are underpinned by a prospective yield of 7.9 per cent, but are unlikely to advance until contributions from the recent acquisitions are secured.

# Bromsgrove rides weak sector with 24% advance

Bromsgrove Industries, the specialist engineering conglomerate, lifted interim pre-tax profits by 24 per cent from £3.32m to £4.11m against the background of weakening prospects for the sector as a whole, writes Paul Cheeseright.

The results for the six months to end-September covered the period when engineering order books generally were slimming but before the severity of the downturn became fully apparent.

Mr Bijan Sedghi, chairman, said, however, that "the group order book overall remains sound given the overall economic climate," and that "the historical pattern reflects a more profitable second half."

Fully diluted earnings per share rose 10 per cent to 6.71p (6.1p), and the interim dividend is lifted to 1.45p (1.3p).

Past profits growth had been heavily dependent on acquisitions. This time they reflected more strongly organic growth.

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## UK COMPANY NEWS

# Export strength helps lift JFB 21% to £12.3m

By Jane Fuller

EXPORTS HELPED Johnson & Firth Brown, the Sheffield-based metals and engineering group, to increase pre-tax profit by some 21 per cent in the year to September 30.

The taxable figure rose from £10.22m to £12.31m on sales of £119.14m (£106.5m).

Mr George Hardie, joint managing director, said more than 50 per cent of turnover was exported, either directly or by customers such as Rolls-Royce.

Operating profit advanced by 10 per cent to £9.92m (£8.96m), while the contribution from associated companies stayed the same at £1.6m.

About 55 per cent of sales and profit came from the Firth Rixson subsidiary, which makes nickel-based alloys and components for the aerospace industry and other sectors where the products operate in extreme conditions.

In light engineering, some of the subsidiaries were experiencing a slower rate of orders. The foundry business, which had been weak in 1988-89, had gone well in the past year.

As net cash grew to £13.7m (£8.6m) during the year, interest income totalled nearly £800,000, compared with costs of £370,000. Mr Hardie said the total had since risen to £18m and the group planned to buy a North American wing for Firth Rixson.

Cobden Chadwick, a maker of flexographic printing machinery recently bought for £3.8m from the receiver, was expected to contribute to group profits this year. He said the banks had shown signs of panic in the way the business was closed down.

Nearly £2.2m received in settlement of a dispute over auditing was the main item in an extraordinary surplus of £1.88m.

Earnings per share emerged at 6.4p (5.2p). A proposed final dividend of 2p makes a total of 3p (2.6p).

● COMMENT

After undergoing a couple of traumas – with Sheffield Forgemasters and Gills Pressure Castings – in the mid-1980s, Johnson had some catching up to do while other engineering companies made hay. So it is gratifying that in the past year it has outstripped many others in the sector. The 1987 acquisition of Woodhouse Rixson proved crucial and with it came Mr David Hall, now the other joint MD. The past year showed the management strategy of being prepared for a downturn paying off in terms of continued refining of the business and a strong accumulation of cash. The sort of acquisition it is now considering should open supply channels to the big US aero-engine makers, without inflicting much gearing. Notes of caution have been sounded about slower growth in international aerospace markets and other areas of industrial contraction, although some of the slack is being taken up by the oil industry. A forecast pre-tax profit of £13m this year gives a prospective p/e of 7.9, just above the ratings for both engineering and metals. With a strong balance sheet and a prospective yield of 8.2 per cent, it may merit a touch more.

# Substantial provisions as Charterhouse hits £42m

By David Lascelles, Banking Editor

CHARTERHOUSE, the merchant banking subsidiary of the Royal Bank of Scotland Group, reported a disclosed pre-tax profit of £42.1m, up from £40.88m in 1989.

Mr Victor Blank, chief executive, said he was satisfied with the result because it had been achieved in difficult trading conditions. There had also been "substantial provisions" against exposures to corporate clients.

The merchant bank raised profits by £2m to £19.6m. Corporate finance fee income was up, and demand was strong for the bank's structured financing skills. Charterhouse advised on acquisitions and mergers worth a total £3.1bn.

The development capital division saw profits fall by £1m to £19.3m, reflecting greater difficulties in the corporate market. The bank specialises in management buy-outs. Mr Blank said that although the buy-out business was down, there were still plenty of propositions in the area of deals below £200m in size.

Stockbroking earned £1.1m, down from £1.8m, partly because of lower volumes but also reflecting the cost of acquiring Campbell Neill, a Scottish stockbroker.

Other activities earned £2.1m, up from £1.2m.

Mr Blank expected the bank's next financial year to be tough. He foresaw a decline in inflation and interest rates in 1991, but he doubted that this would prompt a rapid upswing in market and corporate activity.

# Coats Viyella shares decline 15p following profits warning

By Alice Rawsthorn

COATS VIYELLA, Europe's largest textile group, yesterday issued a warning that this year's profits would be at the lower end of expectations and that it may not be able to maintain its dividend because of the deterioration in the UK textile industry.

Mr Neville Bain, who joined Coats as chief executive in September, stressed that no decision had yet been taken on the dividend. He said the board would wait until March when it would have a clearer indication of the group's prospects for 1991 before deciding whether to maintain it.

However, Mr Bain said that conditions in the UK had worsened in the fourth quarter of this year. As a result a higher proportion of profits would be made outside the UK in high tax countries and the tax rate would be higher at about 40 per cent.

Ms Rosemary Banyard, textile analyst at James Capel, now expects Coats to make pre-tax profits of between £100m and £105m in 1990. She reduced her original forecast of £113m to £105m at the beginning of this month.

Coats Viyella made static profits of £137m in 1989. Its shares fell by 15p to 98p yesterday.

The UK textile industry has been in recession for the past two years but the recession has deepened since this summer.

Mr Bain said that October and November had been "difficult months" for Coats in "every area except knitwear".

Elsewhere, he said, the business was "still on, or ahead of budget". The only exceptions were the US, particularly in industrial thread, and Brazil, where the textile market has been hit by economic difficulties.

However, Mr Bain was confident that the group's performance would improve in 1991 when the benefits of the cost cutting effected in 1989 and 1990 came through. He was now assessing the scope for further cuts, particularly in central areas.

See Lex

Colin Pierce
Neville Bain: no decision has been taken on the dividend

# API static at £1.86m in period of change

By John Thornhill

API GROUP, formerly known as Associated Paper Industries until it withdrew from paper making activities earlier this year, reported slightly lower pre-tax profits of £1.86m in the year to September 29.

The result, which compared with last time's £1.88m, was achieved on lower turnover of £72.43m (£79.58m), although when stripped of the contributions from discontinued activities it showed a rise from £60.88m to £65.97m.

The final dividend is held at 4p for an unchanged total of 6.75p. Earnings per share, however, slipped from 6.8p to 6p.

Margins in the image enhancement products division came under pressure as a result of competitors entering the market and customers destocking. Trading profits fell from £2.25m to £1.78m on sales of £40.48m (£38.44m).

But both other divisions – converted film and paper products and heating and ventilating systems – showed an improvement in operating profits.

Mr Charles Rawlinson, chairman, said the group was in a strong financial position. During the year net borrowings were reduced from more than £8m to £1m.

# Productivity rise aids Plysu

By John Thornhill

PLYSU, the plastic packaging and housewares manufacturer, unveiled a 50 per cent improvement in interim pre-tax profits, although this performance compared with a disappointing outcome in the previous period.

Profits rose from £2.65m to £4m in the 28 weeks to October 12. Sales, however, showed only a modest improvement to £84.43m (£81.14m).

Mr James Summerlin, chairman, said the increased profits reflected the improved productivity in the company, especially in its factories producing plastic milk bottles.

"It is not only a recovery from last year, but a gain on 1988," he said.

He added that the low level of demand in some areas in the UK was being counterbalanced by strong demand in the Netherlands. Plysu is expanding production there by buying new plant and transferring under-utilised equipment from the UK. Sales in the Netherlands rose to £4.2m (£2.49m) in the period.

The company is looking to expand its continental activities, especially in France and Germany.

Sales at its UK container division rose from £23.85m to £24.83m and the company said it was investing heavily in more production capacity for milk bottles.

The housewares division benefited from a robust gardening products sector and sales increased to £4.54m (£4.12m).

Since September, a shortage of feedstock capacity and the rising price of oil had resulted in a 25 per cent rise in prices for plastics raw materials. But Mr Summerlin suggested the price might fall in 1991 as extra capacity came on stream.

Earnings rose to 5p (4p). The interim dividend is 1.85p (1p).

# New L&G chief to take over in September

By Eric Short, Pensions Correspondent

Mr David Prosser is to be the new chief executive of Legal & General Group, the life assurance and financial services conglomerate.

He is at present head of L&G's investment operations, responsible for some £17bn of funds (end-1989), and takes over from Mr Joe Palmer, the present chief executive, next September when Mr Palmer reaches 60. Meanwhile, Mr Prosser steps up to deputy chief executive.

Unlike his predecessor who spent all his working life with L&G, Mr Prosser only joined the group three years ago.

Also in contrast to Mr Palmer, who had a variety of experience within L&G, Mr Prosser has spent much of his working life either managing investments or running investment departments, first with stockbrokers Hoare Govett, then at British Coal, where he succeeded Mr Hugh Jenkins, now the investment supremo at the Prudential Corporation, and at L&G.

Mr Prosser takes over at a time when the life assurance industry in general is facing problems with static new business, lower investment returns and a single European market.

# Further cash injection at Regina

By Nigel Clark

REGINA HEALTH & Beauty Products is to receive a further injection of funds to a maximum of £660,000 to be used in the USM-quoted company's expansion plans. Three new directors are also joining the existing board of two.

Mr Shiraz Malik-Noor, one of the new directors, is making an unsecured loan of £150,000 at 4 points above Libor, convertible at par into ordinary shares of 2p on January 2 1991.

He has also been granted an option, subject to shareholder approval, to acquire 10m shares at 2p until March 31 next year. If that is taken up there will be a further option to acquire 15.5m shares also at 2p. If the options are taken up in full Mr Malik-Noor would hold 29.63 per cent of the enlarged equity.

Mr David Tett, chairman, said the injection of funds replaced the placing of 30m shares planned as part of its debt restructuring in August. It had been intended that £180,000 of the placing would be used to repay part of £600,000 owed to Mrs Irene Stein, the previous chairman. However, the new funds would be used solely for promoting expansion and the £180,000 would remain as a two-year term loan.

Of the rights issue of 55.88m shares at 2p a total of 9.51m was taken up by shareholders, with a further 16.44m going to directors and various trade associates. The balance was left with the underwriters.

The other two directors appointed, Mr Paul Geoghegan and Mr Samuel Mitchell-Innes, were said by Regina to be experts in the specialist natural healthcare market.

# Corrugated case buy for Smurfit

By Kieran Cooke in Dublin.

JEFFERSON SMURFIT, the Dublin-based paper and packaging group, has purchased – for an undisclosed sum – New International Townsend Hook, one of the UK's leading producers of corrugated paper cases and coated papers.

Townsend Hook's paper mill at Snodland, Kent, is one of the largest in the UK. Last year it achieved sales of approximately £75m.

Mr Dermot Smurfit, head of Smurfit's UK operations, described Townsend Hook as one of the "doyen" companies in the corrugated case industry. "The acquisition of Townsend Hook will give Smurfit well in excess of 20 per cent of the corrugated case industry in the UK," he said.

Smurfit has annual sales in the UK of about £300m.

Recently it has been investing heavily in various European operations, away from its main area of activity in the US.

## NEWS DIGEST

# All-round rise lifts LMS 16%

LONDON MERCHANT Securities, the property and leisure group, lifted pre-tax profit by almost 16 per cent in the half year to September 30 1990.

All trading activities contributed to the rise – from £11.83m to £13.71m – with the property side putting in £1.11m (£148,000).

Lord Rayne, chairman, said net rental income grew to £10.93m (£10.1m) in line with expectations; and the development programme was proceeding satisfactorily with important completions expected during next year. Over the full year the increase in rents would be offset partially by the progressive reduction in interest receivable.

In the period under review interest received declined from £332,000 to £101,000.

The benefit of the group's 29.81 per cent share in First Leisure was included, and showed a 22.6 per cent rise over the previous year. The year-end balance sheet would incorporate the group's proportion of the surplus £78.4m produced by a revaluation of First Leisure's property.

LMS held 5 per cent of BSB and had provided £26.6m of guarantees in respect of a loan facility. It was hoped that the recent merger with Sky Television would improve prospects, Lord Rayne said.

Earnings per share rose to 3.29p (2.88p) and the interim dividend is held at 0.8p.

Lord Rayne



# Berkeley Group £0.7m in loss

Berkeley Group, the Surrey-based housebuilder and commercial property developer, suffered a profits fall from £2.2m to just £4,000 pre-exceptional profits for the six months ended October 31.

Interest charges fell by £1.7m to £460,000. An exceptional provision of £760,000 against stocks, left the group £756,000 in the red at the pre-tax level.

Operating profits from the residential building side tumbled from £3.63m to £72,000.

Losses per share emerged at 1.2p (earnings 3.4p) but the interim dividend is maintained at 1.5p.

Turnover totalled £48.8m, reflecting the sale of 265 homes (190 homes). Although that was £2.9m up on the corresponding period of a year earlier, the figure included a much higher proportion of lower priced homes sold to housing associations.

Directors expected the rest of the year to continue to be difficult as the group traded out of the last of the older, lower margin stock. However, they saw fair healthier margins coming through on houses where the land was purchased more recently.

At the period-end the group had net cash balances of £3.6m compared with net borrowings of £11.1m at April 30 and £32.9m at end-April 1989.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims– Booth Inds, Bristol Evening Post, Broad Street, Harris (Philip), Ivory & Sime, Microtec, Minet, Welsh Water.

Finals– McCarthy & Stone, Strata Invs, Sycamore

FUTURE DATES

| | |
|---|---|
| Interims– | |
| Gold Greenlees Trott | Dec. 18 |
| Seville | Jan. 16 |
| Symonds Engineering | Jan. 17 |
| TGI | Jan. 20 |
| Finals– | |
| Hambro Currency Fund | Feb. 8 |



# Unit just in black and omits dividend

Unit Group, the timber pallet and precision engineering components manufacturer, yesterday reported taxable profits of just £1,000 for the first half and said current trading conditions were probably as difficult as any experienced in the company's history.

The decline from £477,000 in the half year ended September 30 1989 was despite sales which rose from £13.9m to £14.8m. But profit at the operating level was only £457,000 (£704,000) and net interest payable jumped to £456,000 (£227,000).

The board of the USM-traded company decided to drop the interim dividend (2.5p) in view of the likelihood that the present difficulties will continue.

# Wardell Roberts ahead at I£1.6m

Taxable profits of Wardell Roberts, a Dublin-based food distributor, rose from I£1.12m to I£1.61m (£1.49m) for the six months to September 30. Turnover expanded from I£20.58m to I£24.76m.

The interim dividend is lifted to 1.21p (1.1p) from earnings of 5.6p (4.7p).

# Interest charges hit Southend Property

In spite of an increase in rental income from £7.85m to £8.26m, a sharp rise in interest charges meant pre-tax profits of Southend Property Holdings fell by 39 per cent to £2.61m in the six months to September 30, against £4.3m last time.

Sales of dealing properties were only £67,000 (£5.99m), but mining sales contributed £11.58m (£2.87m), while non-property trading sales improved from £13.41m to £14.61m.

Net interest payments rose from £5.97m to £7.06m. After tax of only £19,000 (£1.09m) – reduced as a result of allowances for capitalised interest – earnings per 5p share fell from 2.15p to 1.66p. The interim dividend however, is increased to 1.32p (1.2p).

Mr Malcolm Dagul, chairman, said the board expected rental growth from the existing property portfolio to increase further this year – and about some 50 per cent in the next few years.

# Chemring declines 16% to £3.97m

Chemring Group, which manufactures defence and non-defence products, saw pre-tax profits decline by 16 per cent from £4.71m to £3.97m, in the year to September 30.

Mr Ian Fairfield, chairman, said current orders were some 34 per cent up on the previous year and prospects were good.

The outcome was struck after an exceptional charge of £136,000. Sales fell from £28.82m to £28.15m. Of this 60 per cent were defence and 40 per cent non-defence; about 51 per cent of total sales were exported.

Mr Fairfield said that while the defence products side was not seriously affected by the changes within Europe, the board was planning to change the sales mix over the next three to five years to 60 per cent non-defence, while maintaining the current level of defence orders and wherever possible increasing that figure.

Earnings per share dipped 21 per cent to 48.6p (61.5p) fully diluted. The dividend goes up 10 per cent to 26.95p (24.5p) via a proposed final of 17.95p.

# Albion falls to £824,000

Pre-tax profits at Albion, a manufacturer of ready-made suits and tailored menswear, fell from £951,000 to £824,000 in the 12 months to September 30 after an exceptional debit of £28,000.

Turnover was marginally higher at £12.16m (£11.65m) and net operating income amounted to £632,000 (£804,000). However, attributable profits were only £36,000 lower reflecting increased government grants and lower tax. Earnings per share emerged at 14p compared with 15.4p. A final dividend of 1.8p is recommended to make a total of 3.2p (3.1p).

# M&G Second Dual advances 13%

M&G Second Dual Trust reported first half pre-tax profits up 13 per cent at £1.7m and raised its interim dividend by 14 per cent from 11.45p to 13.11p on earnings per income share of 13.12p (11.45p).

Distribution from the M & G dividend fund came to £1.75m (£1.52m) and deposit interest put in £367,000 (£327,000). Tax took £437,349 (£380,841).

# Venture Plant £1.15m in loss

Venture Plant Group, the USM-quoted plant hire business, continued to run up losses through the second six months and for the full year to end-September fell £1.15m into the red at the pre-tax level compared with previous profits of £1.58m.

The final dividend is passed – as was the interim. Shareholders received a total of 3.25p for 1988-89. Losses per share worked through at 5p (earnings 8.3p).

Turnover was little changed at £9.3m (£9.08m). There was a tax credit of £376,000 (charge £539,000).

# Polar advances 7% but sees tough year

Helped by a turnround from payments of £78,000 to interest received of £63,000, pre-tax profits of Polar Electronics, the USM-quoted electronics components distributor, increased 7 per cent to £1.32m, against £1.23m, in the year to end-September.

Turnover was £14.54m (£14.33m) and after tax of £494,000 (£451,000) earnings per share emerged at 10.4p (12.3p). Directors are proposing a maintained final dividend of 2.5p making a total for the year of 4.5p.

On the present year Mr Keith Carnelly, chairman, said that demand in the first two months had remained at a low level and he expected it to be another tough year.

# Carr's Milling 52% down at £0.5m

Profits of Carr's Milling Industries continued to decline in the second six months and for the full 1989-90 year fell 52 per cent to £516,000 at the pre-tax level.

The downturn, from last year's depressed £1.07m, was struck from turnover £4.37m lower at £77.7m.

Following a review of the group's capital expenditure programme directors felt it prudent to make a provision of £2.75m for deferred tax in certain subsidiaries.

This, together with other tax charges of £217,000 (£313,000), left the group with an after-tax loss of £2.45m (profits £760,000) for the year to September 1.

Losses per share worked through at 36p (earnings 11.1p), but the final dividend is maintained at 5.75p to make a same-again 7.5p total.

# Anglo United makes £21m sale

Anglo United has conditionally agreed to sell Chatfields-Martin Walter, its commercial vehicle and car distributor, for £21m before costs, including the assumption of bank debt, to Petrogate, a company owned by trusts in favour of Mr David McErlain, Anglo's chairman, and his family.

Anglo has also agreed to acquire the businesses and assets of John Hudson from Raab Karcher (UK) for about £7.9m cash. The acquisition is being financed in part by a £6m extension to Anglo's existing loan term facility.

# Both divisions help Bradstock advance

Bradstock Group reported taxable profits 31 per cent higher at £8.1m in the year to end-September, against £6.17m.

Both divisions showed increases with insurance broking up 25 per cent and reinsurance broking up 34 per cent.

The results were also helped by a £900,000 rise to £3.82m in investment income.

In the present year Mr David Plunkett, chairman, expected currency fluctuations to affect the results with dollar income making up 45 per cent of the total. It was also intended to acquire smaller brokers in complementary areas.

A final dividend of 6.5p is proposed for a total of 9p (7.5p), payable from earnings per share of 17.6p (14.2p).

# Eve holds profits at £2.32m

Eve Group, the USM-quoted contractor and developer, held pre-tax profit at £2.32m, against £2.3m, in the half year to September 30, in spite of "recessionary conditions".

Mr Roger Ames, chairman, said some areas of the business continued to be affected by low demand, but the group as a whole was progressing well.

Turnover rose from £25.59m to £28.16m. Earnings per share were 16p (15.9p) and the interim dividend is 2.7p (2.5p).

The group had recently obtained new power transmission and construction contracts worth over £11m, and orders and enquiries for the Trakway temporary access service remained high, Mr Ames said.

# TSB CI raises bad debt provisions

TSB Bank Channel Islands increased annual pre-tax profits 35 per cent from £6.81m to £9.19m. The result was struck after an increased provision for bad and doubtful debts of £395,000, against £4,000.

There was also an exceptional charge of £449,000 (£694,000) representing provision for the fall in value of its investment in TSB Private Bank International.

Mr Reg Jeune, chairman, said that prudent provisions had been against bad debts although current performance did not indicate any underlying deterioration in the quality of the lending book.

Total income in the year to October 31 was £20.81m (£16.4m), a rise of 27 per cent. Earnings per share were 23.66p (17.88p).

# Hobson reduces loss to £89,000

Hobson, which is concentrating on its trading activities pending new acquisitions, reported a pre-tax loss of £89,000 for the six months to September 30, compared with £177,000. The figures were helped by an increase in interest received from £6,000 to £78,000.

# Caspen makes debut on USM

Caspen Oil, a London-based group with interests in the US oil and gas exploration and development sector, yesterday made its debut on the Unlisted Securities Market after two years on the Third Market. The shares were unchanged at 14p.

The new listing coincides with a significant upturn in the group's fortunes in the wake of a successful drilling and acquisition programme.

Caspen operated profitably in the first three months of the current financial year, with oil revenues exceeding the total figure achieved n 1989-90. In the year to July 31 1990, it recorded a loss of £2.79m on turnover of £3.19m, due principally to a £2.05m exceptional item.

Mr Leslie Thomas, deputy chairman, said yesterday that the new listing was partly a case of Hobson's choice owing to the Third Market's imminent demise. "But it has coincided with a great revival in our performance," he said.

Turnover fell from £8.05m to £1.25m reflecting the sale of the manufacturing division and Tower Hill Merchants at the beginning of this year.

Mr Richard Thompson took over as chairman at the USM-quoted company in September last year. It was expected that this would lead to a period of acquisitions. However, the company said yesterday that the state of the UK economy had inhibited potential acquisition activity.

There had been an encouraging start to the year but the state of the Nigerian economy and events in Kuwait and Saudi Arabia had undermined the performance.

The loss per share was 0.22p (0.46p) and the interim dividend is again passed.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| API | fin | 4 | Feb 8 | 4 | 6.75 | 6.75 |
| Berkley Group | int | 1.5 | Feb 8 | 1.5 | - | 4.5 |
| Bradstock | fin | 6.5 | Apr 9 | 5.5 | 9† | 7.5 |
| Bromsgrove Inds | int | 1.45 | Jan 21 | 1.3 | - | 3.6 |
| Doctus | fin | 2.72† | Apr 18 | 2.4 | 3.5 | 3.05 |
| Eurocopy | fin | 2.9 | Apr 8 | 2.1 | 4 | 3 |
| Eve § | int | 2.7 | Mar 28 | 2.5 | - | 6.5 |
| Greenall Whitley | fin | 6 | Feb 22 | 5.4 | 10 | 8.7 |
| Hoskyns | fin | 1.65 | Mar 22 | 1.45 | 2.4 | 2.1 |
| Johnson Firth | fin | 2 | Jan 31 | 1.8 | 3 | 2.6 |
| Lee (Arthur) | fin | 4.25 | Feb 22 | 4.25 | 5.9 | 5.8 |
| London Merchant | int | 0.8† | Feb 2 | 0.8 | - | 3.4 |
| NMC | int | 1.25 | Jan 31 | 1.25 | - | 3.55 |
| Southend Prop'ty | int | 1.32 | Feb 28 | 1.2 | - | 3.45 |
| Stakis | fin | 1.8 | Apr 10 | 1.6 | 2.7 | 2.51 |
| Unit § | int | nil | - | 2.5 | - | 5 |
| Watson & Philip | fin | 8.5 | Feb 22 | 7.25 | 11.6 | 10.5 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

## COMMODITIES AND AGRICULTURE

# Opec to keep oil output high while crisis lasts

**By David Thomas in Vienna**

A GO-AHEAD for continued high oil production to fill the gap caused by Iraq's invasion of Kuwait was given yesterday by the Organisation of Petroleum Exporting Countries.

Opec ministers unanimously agreed at a meeting in Vienna to continue their suspension of oil production quotas fixed in July, which put ceilings on output levels. The producer group also resolved to restore the quotas immediately the Gulf crisis was over and to hold a further special meeting next March.

By postponing further decisions until March, the accord effectively recognises that Opec is powerless to act before the Gulf crisis is resolved.

No immediate steps are to be taken to meet the concerns of some Opec members, notably Iran, that current oil output levels could lead to an oil glut, particularly if the Gulf crisis is solved peacefully.

"I am very, very afraid about the future," said Mr Gholamreza Aghazadeh, the Iranian oil minister after the meeting. "We asked all countries to unconditionally come back to their quota," he said. "This is the important issue for us because you remember in the past the quota problem is the main problem."

Opec countries are producing 23.9m barrels a day, 400,000 b/d more than the July quota, despite the loss of 4.3m b/d of Iraqi and Kuwaiti exports.

The high Opec output is mainly due to Saudi Arabia, which last month produced 7.9m b/d compared with its 5.4m quota. Mr Hisham Nazer, the Saudi oil minister, welcomed yesterday's accord.

Some observers believe that these high output levels will make it difficult for Opec to revert to the July quotas.

However, Mr Sadek Boussena, Opec's president and Algeria's oil minister, stressed after the meeting that all Opec members had agreed to return immediately to the July quotas once the Gulf crisis was over.

Nevertheless, he also suggested that the quotas could be reconsidered next year if an oil glut caused a fall in prices below Opec's $21 a barrel reference price.

"Opec cannot leave the market to deteriorate too much. We need good prices for our countries. We will defend our prices," said Mr Boussena, who added that Opec might meet before March if necessary.

Mr Rasheed Salem Al-Ameeri, Kuwait's oil minister, said his country would take only a few weeks to resume full production if there was a peaceful resolution to the crisis. He added that Kuwait might ask Opec for an increased quota in order to repair its economy.

The Opec president brushed aside suggestions that the Gulf crisis was threatening the organisation: "This organisation will be a necessity for all of us," Mr Boussena said.

● Oil prices rose after the meeting. Brent crude for January delivery ended at $27.22½ barrel, up 97½ cents.

# Coal miner asks court for more time

**By Bernard Simon in Toronto**

THE QUINTETTE coal mine in north-east British Columbia has asked for a two-month extension of a court order freezing its financial obligations amid signs that its creditors and suppliers are balking at new concessions to save the ailing C$1.2bn project.

A Toronto newspaper reported yesterday that the mine had asked its 56 bank lenders to write off two-thirds of its C$630m debt, and called on its Japanese steel-mill customers to hold any further price cuts until 1998 while committing themselves to continued purchases of 4.75 tonnes a year. It has also asked for cuts in rail and port charges to help finance construction of a new pit, and suggested that the railways and port write-off amounts owed to them.

Quintette said that it asked for the two-month extension "to allow further time for discussion and assessment."

According to mining analysts however, Quintette's creditors, customers and the British Columbia government are likely to agree to concessions only if a new operator is found to replace Denison Mines of Toronto, which has a 50 per cent equity interest in the mine and has managed it since it started production seven years ago.

Quintette was due to file its restructuring plan by yesterday, which was the expiry date of a six-month restraining order freezing the mine's financial obligations. The order was sought after Japanese customers began withholding payments earlier this year as a means of enforcing a disputed arbitration ruling which cuts prices for the mine's coal below its operating and shipping costs.

Quintette was designed in the early 1980s to diversify the Japanese steel industry's sources of supply. The Japanese agreed at the time to support the high-cost project by paying prices well above market levels. But as the coal and steel markets have become increasingly competitive they have sought to squeeze Quintette on prices and tonnages.

# Brazil faces another poor coffee harvest

**By Victoria Griffith in Sao Paulo**

BRAZILIAN COFFEE growers will suffer another poor harvest, according to the country's Ministry of Economy, which predicted a crop of 23m bags (60 kg each) next year. The figure is nearly equal to those of the past two years, which were considered low.

The poor figures are due to a 32 per cent drop in the use of fertilisers and a lack of rainfall in main coffee-growing areas, according to the ministry.

An overvalued cruzeiro and soft international coffee prices caused a fall in coffee export receipts of about $500m. Although the country exported about the same amount as in 1989, export sales only reached $1,396bn, compared with $1,782bn last year.

The ministry predicted a rise in export receipts in 1991, due to a fall in world production and financial troubles in key exporting countries. According to the economist Ricardo Mesquita of the National Economic Secretariat, Colombian production will fall 20 per cent.

Exporters here, however, complain that a lack of export financing is making shipments extremely difficult. One major shipper, Intercontinental, has filed for bankruptcy, and others are laying off workers. "The industry is streamlining itself," said Mr Oswaldo Aranho Neto, an exporter from Rio de Janeiro. "But this is good for us. It means less competition."

● Rainstorms in the last 10 days have damaged between 18 and 30 per cent of El Salvador's 1990-91 coffee crop, according a senior coffee industry official, reports Reuters from San Salvador.

"There is a severe reduction. . . of between 18 per cent and 30 per cent in damaged and lost beans," he said, adding that rains, floods and snow had affected coffee production across Central American and in Mexico.

El Salvador had previously expected a bumper 1990-91 harvest of 3.78m bags (45.4 kg each), up from 3.64m in 1989-90, for its mild arabica coffee.

The industry official said preliminary reports showed unseasonal rainstorms had either blown beans to the ground or split the husks, damaging both the weight and the quality of the harvest.

"It will take more beans to fill a quintale (bag)," he said. "We are carrying out field studies to get more technical data."

The results of the study will not be available before January.

# Chicago traders disappointed at level of Soviet grain aid

**By Barbara Durr in Chicago**

THE GRAIN futures market at the Chicago Board of Trade registered its disappointment yesterday with the US government announcement of a trade credit programme for the Soviet Union.

Traders had been expecting a greater amount of credit than the $1bn President George Bush offered.

Grain futures fell across the board in mid-morning trading with soyabeans falling more than 9 cents, maize 4 cents and wheat about 2 cents. Soyabeans were especially hard hit because they had been expected lead the Soviet shopping list.

Futures traders had been banking on US government credits of about $1.5bn, roughly the amount it would take for the Soviets to fulfil their grain buying agreement with Washington. Some had expected the US offer to be considerably more generous with up to $3bn in credits.

Farmers in the grain belt, whose exports are down this year, had accused President Bush of a virtual grain embargo because of his previous refusal to extend credits. This latest offer is unlikely to appease them.

# Increasing role forecast for wheat export credits

**By David Blackwell**

EXPORT CREDITS are likely to play an increasing role in the world wheat trade, which is suffering the lowest prices since 1972, according to the International Wheat Council.

The trend throughout the last decade towards low prices and enhanced credit terms has proved an attractive combination for the importing countries, the IWC says in its latest report.

"Countries unable or unwilling to extend credit must pitch sales proportionally lower in order to offset the dual attraction of price and credit advanced from other origins," the report says. The Soviet Union, the biggest importer, now bases its buying on credit rather than cash.

Traded prices of around $68 to $85 a tonne fob have been reached against the bearish background of an expected rise in world stocks next year of 24m tonnes to 130m tonnes. "To some extent, rightly or wrongly, the world market has come to tolerate a smaller margin of supply protection in its readiness to accept a lower average level of world carryover stocks," the report says.

The IWC believes that policy developments will probably be increasingly directed towards supply management in order to curtail stock accumulation. Nevertheless productive capacity could still outrun demand, "since financial constraints will continue to inhibit import growth in developing countries."

# Malaysians wrestle with another tin crisis

## Little scope remains for further productivity improvements, writes Lim Siong Hoon

AFTER TIN prices rose to M$37 a kilogram last year, the 10,000-odd inhabitants of Gopeng, a century-old town 190 km north of the capital of Kuala Lumpur, suddenly found their homes in jeopardy. The state authority had let it be known that all the 80 hectares of Gopeng would be acquired; beneath the town, it said, were rich deposits of tin and a state-owned company wished to get at them.

Since then tin prices have dived, and nothing more was heard of the controversial Gopeng relocation plans. Though the market slump had saved the town, for the moment at least, it has also plunged the Malaysian tin industry once more into a struggle to survive.

The industry's problems are unlike those it faced after the 1985 market crash, and local miners and analysts alike think the present crisis is, in some respects, worse.

Adjustments came quickly after the 1985 collapse of the International Tin Agreement, which supported prices through a buffer stock buying system. That meant coping with the shock of an abrupt change to a free market. Within a year output plummeted 25 per cent; the industry's average cost was slashed 34 per cent; and the output rate per worker rose by more than 20 per cent. With costs now under control and the productivity rate up by another 12 per cent there is little scope for further improvements in response to the current crisis.

| Malaysian Tin | Output (tonnes) | Ave price (M$ a kg) |
|---|---|---|
| 1990 | 30,400* | |
| 1989 | 32,000 | 23.05 |
| 1988 | 28,900 | 18.49 |
| 1987 | 30,400 | 16.80 |
| 1986 | 29,100 | 15.39 |
| 1985 | 36,900 | 29.67 |
| 1984 | 41,300 | 29.18 |
| 1983 | 41,400 | 30.19 |
| 1982 | 52,300 | 30.17 |

*estimated

Falling yields are aggravating the industry's problems, according to analysts. The average recovery cost for each kilogram of tin in a cubic metre of soil is inversely related to yield: as one falls, the other goes up.

This pattern is evident in many, but not all, mines. What is clear, though, is that yields have fallen in the past four or five years. In 1986, a cubic metre of soil yielded up to 0.2 kg of tin in Malaysia. Today the average level is 0.1 kg, compared with 3 kg in Brazil's Bom Futuro region.

Exploration is required to overcome low grade deposits, but in the present market environment miners are neither willing nor able to do so.

Those who survived the previous crisis did so by drawing on other assets or reserves in the expectation that recovery would follow the slump and because closure leaves a host of problems, of labour and licensing for instance. With poor deposit grades and low prices, the dilemma now is reduced simply "to continue or not to continue," says one analyst with the Malaysian Chamber of Mines.

Gravel pump mining, an old labour-intensive method of flushing out deposits with high velocity water pumps, is likely to suffer most in the present crisis. Before 1985 it accounted for 56 per cent of the total output; five years on its share of a 25 per cent smaller tonnage is down to 40 per cent.

Dredge mining, a capital-intensive method with an almost equal output share, is marginally less costly than the gravel pump sector. This means that its ability to withstand price shocks depends ultimately on the strength of the companies' asset reserves, an advantage they have over the small gravel pump miners.

The concern about who survives has now become enmeshed into the debate over whether Malaysia should remain in the Association of Tin Producing Countries, which it founded. At stake, is "the big guys versus the small guys," says an analyst. This struggle reveals why different miners, at different times, are in discord about the organisation's usefulness.

Small miners tend to see the ATPC as their only hope. Others, less sanguine, argue that as existing production capacity is only just sufficient to meet Malaysia's quota, participation, in Brazil's absence, is pointless.

Though the official Malaysian line favours the ATPC, the government has not disguised its displeasure over Brazil's foot-dragging over joining the producer group.

Mr Lim Keng Yaik, the primary industries minister, was uncharacteristically blunt early last month. Until Brazil takes its place as the leading producer, he said, "there is no point in talking any more."

For its part, Brazil has appeared eager to keep the communication channels open and keep the organisation intact. The country attends virtually all ATPC meetings as an observer and group pressure and low prices appear to have kept Brazilian production this year to below the 1988 level and possibly to 45,000 tonnes, as promised. Last October, it agreed to further cuts to about 39,000 tonnes next year.

Brazil's stock level, at last July, was 15,000 tonnes, according to ATPC statistics. That level is higher than would be permitted under ATPC rules, which stipulate that a member should stock no more than 10 per cent of its permissible export tonnage. Accordingly, Brazil declined to join the ATPC until, it said, it can abide by the rules.

Mr Redzwan Sumun, the ATPC executive secretary, argues that the organisation's goal of a "normal" world stockpile of 20,000 tonnes, compared with annual production of about 190,000 tonnes, is no longer realistic since demand growth has failed to keep pace with supply over the years. He personally thinks 16,000 tonnes is a better goal, satisfied by an "equilibrium" price range of M$18 (£3.40) to M$21 a kilogram.

But with prices under M$16 and world stock levels at around 48,000 to 50,000 tonnes, up from 33,000 tonnes within a year and a half, the goal underscores the bleakness of dealing with the over-supply. More than half the stocks are held outside of the seven ATPC members, which means that the chances are remote that the group can realise its target of scoring a 37,000-tonne stock level at end-December.

This surplus exacerbates Malaysia's domestic problems, and so explains why the country now seems ready to distance itself from the organisation and why there are calls for the ATPC to be disbanded. Even local companies are no longer allocated their specific tonnages, though, at present yields and prices, setting production limits looks redundant.

In these hard times, the people of Gopeng can afford to sleep easy.

# Moscow set to buy £60m worth of NZ butter

**By Dai Hayward in Wellington**

NEW ZEALAND is about to finalise the sale of up to 90,000 tonnes of butter worth about NZ$200m (£62m) to the Soviet Union. It will be the country's biggest single sale of butter since 1970, and the largest-ever outside the UK.

The New Zealand Dairy Board is also negotiating a 32,400-tonne butter sale to Iran. At current international prices, this would be worth NZ$70m.

The news of the two impending sales comes at a vital time for hard-pressed dairy farmers, who have already had their incomes cut from NZ$4 a kilogram for milk-fat to NZ$3.60 this season. The board had warned that further cuts, which threaten to push some farmers into bankruptcy, were likely. The new sales could help avoid this.

The negotiations on the record sale with the Soviet Union comes hard on the heels of Moscow's agreement to pay NZ$115m of outstanding debts for dairy products already delivered.

The Soviet authorities this week agreed to give the dairy board an irrevocable letter of credit from the central state bank guaranteeing settlement in two instalments. The first will be received within a few weeks.

Negotiations for the new sale started immediately. These will include reaching an agreement on price and quantity with the European Community, which is also anxious to sell its stockpiled butter to the Soviet Union.

## WORLD COMMODITIES PRICES

## MARKET REPORT

The premium for cash nickel on the LME disappeared yesterday as both cash and three-month metal fell below $8,000 a tonne. Major support is now put at around $7,725 a tonne for three-month metal (3.50 cents a lb). Dealers said the weak demand for cash metal helped to put the market on the defensive. On the London bullion market silver and platinum were in retreat in nervous trading, with operators unsure about the near-term outlook. The decline in silver — which traded below support at 400 cents — reflected oversupply and its inability to attract investor interest, dealers said. Platinum trading was sporadic, with strong selling emerging around midday before prices rebounded as operators viewed the metal as oversold. By midday on Nymex platinum had trimmed early losses, as had palladium, which traded at life-of-contract lows after heavy Swiss selling. New York arabica coffee prices were firming at midday on sentiment that Central America's coffee crop was damaged by recent heavy rains. "There's a good possibility Central America in general will have its crop reduced by 20 to 30 per cent," said one commission house trader.

**Compiled from Reuters**

## London Markets

| SPOT MARKETS | | |
|---|---|---|
| Crude oil (per barrel FOB) | | + or - |
| Dubai | $22.50-2.60v | +.575 |
| Brent Blend (dated) | $27.90-8.00 | +0.80 |
| Brent Blend (January) | $27.20-7.25 | +.975 |
| W.T.I. (1 pm est) | $26.90-7.00v | +1.025 |
| Oil products (NWE prompt delivery per tonne CIF) | | + or - |
| Premium Gasoline | $241-244 | -2 |
| Gas Oil | $261-263 | -3 |
| Heavy Fuel Oil | $133-135 | |
| Naphtha | $255-258 | +8½ |
| *Petroleum Argus Estimates* | | |
| Other | | + or - |
| Gold (per troy oz)♣ | $373.00 | +1.40 |
| Silver (per troy oz)♣ | 401.25c | -5.10 |
| Platinum (per troy oz) | $417.75 | -5.50 |
| Palladium (per troy oz) | $87.50 | -4.75 |
| Aluminium (free market) | $1620 | +5 |
| Copper (US Producer) | 115c | +½ |
| Lead (US Producer) | 50c | |
| Nickel (free market) | 380c | -11 |
| Tin (Kuala Lumpur market) | 15.17r | -0.07 |
| Tin (New York) | 288c | |
| Zinc (US Prime Western) | 70c | |
| Cattle (live weight)† | 109.88p | +2.20* |
| Sheep (dead weight)† | 144.99p | +1.50* |
| Pigs (live weight)† | 78.43p | +1.27* |
| London daily sugar (raw) | $249.0w | -1.2 |
| London daily sugar (white) | $303.2w | -1.8 |
| Tate and Lyle export price | £285.5 | -1.0 |
| Barley (English feed) | Unq | |
| Maize (US No. 3 yellow) | £189.75 | |
| Wheat (US Dark Northern) | £87 | +4 |
| Rubber (Jan)♥ | 50.25p | |
| Rubber (Feb)♥ | 50.50p | |
| Rubber (KL RSS No 1 Jan) | 241m | |
| Coconut oil (Philippines)§ | $315w | -15 |
| Palm Oil (Malaysian)§ | $335 | |
| Copra (Philippines)§ | $232.5t | |
| Soyabeans (US) | £141 | |
| Cotton "A" Index | 84.05c | -0.20 |
| Wooltops (64s Super) | 414p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. v-Jan. w-Dec/Jan z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices: * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

| SUGAR — London FOX | | | ($ per tonne) | |
|---|---|---|---|---|
| Raw | Close | Previous | High/Low | |
| Mar | 215.60 | 219.00 | 218.00 | 215.40 |
| May | 218.20 | 220.60 | 220.00 | 218.00 |
| Aug | 221.60 | | 223.60 | 222.60 |
| Oct | 221.60 | | 223.00 | |
| White | Close | Previous | High/Low | |
| Mar | 301.0 | 301.5 | 302.5 | 300.0 |
| May | 301.0 | 301.0 | 302.0 | 300.0 |
| Aug | 306.5 | 306.5 | 307.0 | 305.5 |
| Oct | 287.0 | 287.0 | 288.7 | 286.5 |

Turnover: Raw1285 (1220) lots of 50 tonnes. White 1001 (534)
Paris- White (FFr per tonne): Mar 1520, Aug 1505, Oct 1470.

| CRUDE OIL — IPE | | | $/barrel | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Jan | 27.05 | 25.91 | 27.25 | 26.50 |
| Feb | 25.45 | 24.47 | 25.75 | 24.20 |
| Mar | 24.35 | 23.36 | 24.40 | 23.40 |
| IPE Index | 26.35 | 26.98 | | |

Turnover: 12684 (20454)

| GAS OIL — IPE | | | $/tonne | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Jan | 247.50 | 250.75 | 249.00 | 242.00 |
| Feb | 233.00 | 236.00 | 234.75 | 228.00 |
| Mar | 217.75 | 220.00 | 220.00 | 214.00 |
| Apr | 202.50 | 205.00 | 206.75 | 202.00 |
| May | 199.00 | 199.00 | 201.00 | 199.00 |
| Jun | 195.00 | 196.00 | 195.00 | |
| Jul | 195.00 | 195.00 | 195.00 | |
| Aug | 195.00 | | 197.00 | 196.00 |

Turnover 9413 (15555) lots of 100 tonnes

**FRUIT & VEGETABLES**
Citrus fruits are widely available this week, reports the FFVIB. Grapefruit are 35-50p each (35-50p), oranges 5-28p each (5-28p) and clementines 35-45p a lb (35-45p) with avocados 40-60p each. Cranberries at £1.20-1.60 per 12oz pack (£1.20-1.50) is surely a Christmas must for everybody. Cabbage is good value at 20-30p a lb, as are Brussels sprouts at 24-35p a lb, another Christmas favourite. Parsnips at 25-35p a lb, swede at 15-25p each and potatoes at 9-25p a lb are also good value. Spring onions at 25-35p a bunch (25-35p) and celery at 35-40p a bunch (35-40p) are both good salad buys, as are imported cucumbers at 45-55p a lb.

| LONDON METAL EXCHANGE | | | | | | (Prices supplied by Amalgamated Metal Trading) |
|---|---|---|---|---|---|---|
| | Close | Previous | High/Low | AM Official | Kerb close | Open Interest |
| Aluminium, 99.7% purity ($ per tonne) | | | | | | Total daily turnover 13,266 lots |
| Cash | 1521-3 | 1512-4 | 1519/1518 | 1517-8 | | |
| 3 months | 1556-7 | 1550-1 | 1565/1553 | 1552-3 | 1569-70 | 66,136 lots |
| Copper, Grade A (£ per tonne) | | | | | | Total daily turnover 19,468 lots |

| CRUDE OIL (Light) 42,000 US galls $/barrel | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Jan | 26.60 | 25.35 | 27.00 | 25.35 |
| Feb | 25.60 | 24.66 | 26.15 | 24.70 |
| Mar | 25.03 | 24.10 | 25.40 | 24.05 |
| Apr | 24.20 | 23.35 | 24.55 | 23.30 |
| May | 23.57 | 22.75 | 23.75 | 22.80 |

## Chicago

| SOYABEANS 5,000 bu min; cents/60lb bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jan | 588/0 | 596/6 | 589/0 | 585/0 |
| Mar | 602/6 | 612/0 | 604/2 | 600/4 |

# LONDON STOCK EXCHANGE

# Shares rise in higher trading volume

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| Nov 19 | Dec 10 | Dec 31 |
| Option Declarations: | | |
| Dec 6 | Dec 27 | Jan 10 |
| Last Dealings: | | |
| Dec 7 | Dec 28 | Jan 11 |
| Account Day: | | |
| Dec 17 | Jan 7 | Jan 21 |

*New-time dealings may take place from 8.30 am two business days earlier.

A PROMISING pre-Christmas rally got under way on the stock market yesterday despite unfavourable factors, ranging from staff cutbacks at a leading London securities firm to discouraging official comments on interest rate prospects. Equity trading volume remained high by recent standards, maintaining the improvement stimulated by Tuesday's week's electricity privatisation sale.

The market is waiting with confidence for today's announcement of the UK retail price index for November, which is widely expected to provide the first evidence that domestic inflation has peaked, perhaps by showing an annualised inflation rate below 10 per cent.

Data yesterday on the UK economy served merely to confirm the marked slowdown in the British economy; November unemployment showed the biggest monthly increase since 1981, while the 10 per cent underlying rise in average earnings in October was a shade below City forecasts.

Equities tried to follow New York and Tokyo higher in early deals but were soon turned back as the market digested more bearish developments. The warning from Mr Norman Lamont, the new UK chancellor of the exchequer, that a cut in UK base rates was ruled out until sterling strengthens within the ERM, despite his acknowledgement that the economic recession may prove longer and deeper than expected, emphasised the market's own realisation that the chances of an interest rate reduction before Christmas have virtually disappeared.

The market was also pulled down by further losses in the retail sector, although a setback in the shares of Next, the store group, was largely recouped after a reassuring statement from the boardroom; moreover, takeover hopes returned to help the sector.

At worst, equities were 8.8 points down on the FT-SE scale as marketmaking firms cut trading books which had become slightly swollen earlier in the week. This shakeout of technical positions proved premature and prices turned smartly upwards.

The advance was helped by a substantial trading programme by a leading securities house, leaning mostly to the buy side, and followed by two similar, albeit smaller, programmes. This buying was, by definition, selective, but was concentrated on the FT-SE 100 stock list and the upper end of the list of beta, or second rank issues.

By the close, the FT-SE Index showed a gain of 15.3 to 2,172.2. More impressive was the rise in turnover, as measured by the Seaq network, which traded 693.6m shares compared with 504.1m in the previous session.

Data from the International Stock Exchange disclosed that equity trading has risen strongly this week; on Tuesday, when the electricity issues entered the market, retail investment in equities jumped to £1.37bn, to be followed on Wednesday by a total of £1.16bn. The money value of yesterday's retail business will only be released by the ISE today.

Dealers were hard put to pinpoint a reason for the gain in equities, although some pointed to the recent recoveries in the New York and Tokyo markets. But underlying the fragility of London was the announcement yesterday that Barclays de Zoete Wedd, a leading UK investment bank and marketmaking concern, is cutting back on its London equity workforce. Rival traders believe there is more to come, both at BZW and at other firms in the London market.

## Lyonnaise cuts water stakes

THE MARKET'S attention yesterday switched suddenly from the newly privatised electricity generating companies to the water issues, as the French utilities group, Compagnie Lyonnaise des Eaux Dumez (Lyonnaise), sold two of its three substantial shareholdings in the sector.

Lyonnaise sold the 6 per cent stake (6.16m shares) acquired in Wessex after the company was privatised last year, and also the 2 per cent holding (7.07m shares) built up in Severn Trent, to Smith New Court who subsequently placed the stock.

The Wessex shares were sold at 247p and the Severn Trent at 230p, dealers said. Smith confirmed it had placed the stakes and said the shares were sold to a number of institutions within the space of 10 minutes.

Utilities specialists were surprised by the Lyonnaise sales. One took the view that the French group realised it would only ever be allowed to gain control of one of the UK water companies, and therefore sought to realise a good profit on the two share stakes, both in terms of the share prices and movements in exchange rates. Lyonnaise indicated later that it was retaining its 9 per cent holding in Anglian.

The sector fell steeply on the sale news, but later rallied. Severn Trent settled 3 off at 238p having fallen to 234½p, on turnover of 23m, while Wessex closed 9 lower at 246p, after 244p on 19m. Anglian lost 4 to 268p. The Water Package settled £32 lower at £2578.

## Next denial

Next, the high street fashion retailer and home shopping group, reversed early heavy losses to close virtually unchanged after the company moved to quash speculation that it was in financial trouble. The shares were down 9 at 6½ at one stage on talk that it was holding a crisis meeting with its bankers and was attempting to refinance payments on its Euro-convertible bonds, due in 1992.

Further pressure came after Goldman Sachs cut its current year profits estimate to £2m from £10m and next year's to £10m from £20m. Concern about the difficult trading environment caused the reduction in Goldman's forecast.

Confidence, however, began to return after the company said it was still operating within its borrowing facilities and continued to enjoy the support of its bankers. The shares rallied to close down a net 1¼ at 14¼p with turnover at 45m.

## Steel trades heavily

Mounting worries about the outlook for the manufacturing industry took a toll on British Steel, clipping 2 off its share price to 118p in heavy volume of 17m shares. Concern about the deteriorating trading environment for British Steel has grown in the face of spreading weakness among the manufacturers which the company supplies.

The current level of sterling within the ERM at DM2.95 favours continental importers, which have been eating into British Steel's UK market share, said Mr Colin Campbell at Hoare Govett.

Mr Rupert Lewin at Robert Fleming Securities believes that the company's vulnerability to manufacturing recession makes it likely that earnings in 1991-92 would be flat and is looking for a cut in dividend in that period.

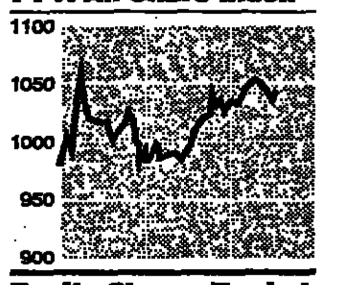
British Steel, nevertheless remained attractive to some analysts on a dividend basis. Mr Campbell pointed out that the yield at 10 per cent, on Hoare Govett's estimate, is high in the present market and said he remains confident that the dividend will be progressive even on lower profits.

## Suspended waste

Requests within one minute of each other for a temporary delisting of their share quotations immediately aroused speculation that waste management companies **Shanks & McEwan** and **Rechem Environmental Services** were contemplating a merger. Neither company gave a reason for its action, made before trading opened, but both issued the usual formal suspension notice of "pending an announcement".

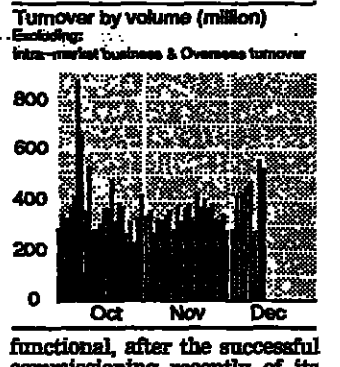
A possible motive, said one researcher, was that under the new "Green" legislation and EC directives Shanks may be required to treat or incinerate some of its waste fills. Rechem now has two incinerators fully functional, after the successful commissioning recently of its Fawley operation, and could be experiencing a second-half slowdown.

**FT-A All-Share Index**



**Equity Shares Traded**

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



Shanks & McEwan closed on Wednesday at 1293p and Rechem at 574p. Few other waste management stocks were affected yesterday, an exception being Leigh Interests, which rose 9 to 317p.

Banks and insurances figured prominently in the flow of programme trades. Barclays dipped to 365p, but rallied to close unchanged at 370p, after analysts made further cuts in profits forecasts; Smith New Court were said to have moved to the lowest figure.

Bradstock Group dropped 20 to 254p after a highly cautious statement from the company.

Marks and Spencer fell 7 to 224p after Hoare Govett lowered its current year profits estimate by £15m to £615m; and next year's by £25m to £690m from £715m. Mr Bill Currie at Hoare said: "Continued disturbing reports about trading, particularly in food, points to lower profits."

Thorn EMI raced higher in mid-session on stories that a bid for the group is being lined up. One suggestion in the market was that Kingfisher, the retailing group prevented by the Monopolies and Mergers Commission from going ahead with a bid for Dixons, the electrical retailer, is interested in Thorn's Rumbelows subsidiary. Thorn closed 15 ahead at 674p on high turnover of 1.3m. Kingfisher fell 5 to 373p.

The morning's programme trades left the market short of brewery company shares. Grand Metropolitan felt the effect most strongly, closing at the day's best of 650p, up 15. Allied Lyons firmed 6 to 492p, while Scottish & Newcastle and Whitbread each added 5 at 259p and 452p respectively.

Bass was additionally helped by a sharp rise overnight in New York of shares in the Hilton hotel company. Bass owns the competing Holiday Inns hotel chain. The UK view of the progress of the Bass US hotels business is sensitive to movements in the Hilton share price. In early trading on Wall Street yesterday, however, some of the bid speculation behind Hilton's rise faded and Bass ended below the day's best at 1051p, up a net 14.

The latest brewer to report this results season, Greenall Whitley, lost 13 to 324p after posting a 19.6 per cent full year profits rise to £62.2m.

Granada benefited from analysts' recent positive comment. The shares rose 8 to 190p. The view on Granada attributed here yesterday to County NatWest was, in fact, that of BZW.

The bleak outlook for housebuilders prompted further downgradings in the sector, with Smith New Court and James Capel recently lowering their forecasts for Tarmac. Mr Kevin Cammac at Smith said a variety of factors, including a higher than expected interest charge, had led it to reduce its forecast for profits at Tarmac from £203m to £190m this year and from £210m to £200m in 1991.

"We have been going through a number of companies, and by and large where we have changed the numbers they have been coming down," Mr Cammac added: While against this background the downgrading of Tarmac was not exceptional, the issue was particularly vulnerable as its rating had been a good deal higher than that of other issues, he added.

Tarmac declined 9 to 235p. Worries regarding the sector also put pressure on Wimpey, which lost 6 to 196p.

Lonrho weakened in response to a new law in Zimbabwe, where the company has large mining interests, which was said to empower the state to nationalise factories, farms and private homes. London analysts played down the news, saying it was enabling legislation and did not represent a change in policy. Lonrho slipped 6 to 215p in good volume of 3.1m.

US buying of Hanson helped the shares rise 5⅛ to 200⅛p, the first time they have been above £2 since October 8. Turnover was a good 12m shares.

Hardy Oil & Gas moved up 7 to 191p after Ms Angela Burns at County NatWest increased her estimate of the group's net asset value from 251p to 291p; "the only exploration and production group currently at a discount to the market," said County.

British Gas put on 3¼ to 237p on 8.8m with Kleinwort taking the view that "the safest way to play the sector is in the highest yield stock".

The property sector was enlivened by continuing enthusiasm for Hammerson on speculation that Hong Kong Land was looking to buy a major stake in the company. While no news of substance had been added to the rumours, a shortage of stock had helped to push the price up strongly, commented Mr Graham Stanley at County NatWest. Hammerson 'A' shares finished up 27 at 627p.

Coats Viyella fell 15 to 98p after it warned that 1990 profits would be at the lower end of market forecasts. Worries about the status of the final dividend, which will be declared next March, was also a source of weakness.

Other Textile companies weakened in sympathy, with Courtaulds Textiles down 11 at 237p and Dawson off 5 at 139p. Mr Lawrence Rubin of S.G. Warburg said Coats could remain weak for some time. He added that Tootal's decline of 10 to 70p reflected dashed hopes for a bid from Coats.

Turnover in the electricity distribution stocks (discos) continued to shrink as the sector attracted small-scale selling pressure. The heaviest activity was in Yorkshire, 3 down at 153¼p, where 6.4m shares changed hands. East Midland, 2¾ off at 142p on 6.3m, followed closely, as did Eastern, 3 easier at 144p on 5.3m.

UK press reports of leading conglomerates BTR and Hanson showing predatory interest in Tredegar House sent shares of the construction, property and leisure group higher. Trading volume was slightly above normal at 4.2m shares and the price advanced 6 to 198p.

Tomkins was again beset by concern for its Smith & Wesson subsidiary, based on US comments that the shooting of a person there might lead to the manufacturers of the weapons used being sued. The shares gave fresh ground to finish 7 weaker at 225p.

London Merchant Securities, the financial trust which next month will be reclassified into the property section of the Official List, moved higher on good interim results. The chairman said that over the full year the increase in rental income would be partially offset by the progressive reduction in interest receivable, but the shares still closed 9 higher at 80p.

■ Other Market statistics, including the FT-Actuaries share index, Page 27

## FINANCIAL TIMES STOCK INDICES

| | Dec 13 | Dec 12 | Dec 11 | Dec 10 | Dec 7 | Year Ago | 1990 High | 1990 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 83.31 | 83.39 | 83.27 | 83.29 | 83.29 | 83.80 | 84.20 (3/1) | 74.13 (30/4) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 91.02 | 91.17 | 90.66 | 90.69 | 90.84 | 92.27 | 92.91 (8/1) | 83.80 (30/4) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share | 1704.9 | 1692.2 | 1709.0 | 1721.6 | 1723.5 | 1871.4 | 1965.3 (3/1) | 1510.4 (24/9) | 2008.6 (5/9/89) | 49.4 (26/6/40) |
| Gold Mines | 139.1 | 141.8 | 149.1 | 148.4 | 150.4 | 311.6 | 378.3 (6/2) | 139.1 (13/12) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2172.2 | 2156.9 | 2165.8 | 2182.5 | 2183.4 | 2367.0 | 2463.7 (3/1) | 1990.2 (28/9) | 2463.7 (3/1/90) | 986.9 (23/7/84) |
| FT-SE Eurotrack 100 | 998.21 | 993.81 | 989.49 | 992.09 | 1002.10 | - | 1003.35 (6/12) | 948.31 (27/11) | 1003.35 (6/12/90) | 948.31 (27/11/90) |
| Ord. Div. Yield | 5.62 | 5.68 | 5.63 | 5.60 | 5.61 | 4.54 | | | | |
| Earning Yld % (full) | 11.74 | 11.85 | 11.78 | 11.69 | 11.71 | 11.06 | | | | |
| P/E Ratio(Net)(*) | 10.29 | 10.19 | 10.27 | 10.34 | 10.31 | 10.93 | | | | |
| SEAQ Bargains 4.45pm | 31,637 | 36,640 | 40,877 | 18,581 | 27,372 | 32,976 | | | | |
| Equity Turnover(£m)† | - | 1182.97 | 1369.78 | 525.12 | 925.78 | 1083.64 | | | | |
| Equity Bargains† | - | 47,152 | 38,664 | 17,538 | 27,269 | 38,683 | | | | |
| Shares Traded (ml)† | - | 515.0 | 580.1 | 283.4 | 461.5 | 464.4 | | | | |

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/6/88.

Ordinary Share Index, Hourly changes — Day's High 1704.9 — Day's Low 1684.4

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 1690.3 | 1692.6 | 1695.0 | 1696.2 | 1692.3 | 1699.3 | 1699.0 | 1697.8 | 1701.2 |

FT-SE, Hourly changes — Day's High 2172.2 — Day's Low 2148.1

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 2161.4 | 2165.3 | 2149.2 | 2153.7 | 2155.0 | 2164.3 | 2163.9 | 2163.0 | 2167.9 |

FT-SE Eurotrack 100, hourly changes — Day's High 1001.60 — Day's Low 994.41

| Open | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm |
|---|---|---|---|---|---|---|
| 1001.60 | 1000.74 | 1000.82 | 997.81 | 996.94 | 996.73 | 995.48 |

### GILT EDGED ACTIVITY

| Indices* | Dec 12 | Dec 11 |
|---|---|---|
| Gilt Edged Bargains | 95.4 | 85.8 |
| 5-Day average | 103.4 | 104.4 |

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

## TRADING VOLUME IN MAJOR STOCKS

| Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

## NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (15). BANKS (1) STORES (1) FOODS (3) INDUSTRIALS (1) London Intl., INSURANCE (1) TRANSPORT (1) TRUSTS (7). Systems, Bluebird Toys, Brierley Invs., Computer People, Dean & Bowes, Essette AB, Fletcher Challenge, Gieves, Hadleigh Inds., Handley-Walker, Marling Inds., Mosaic Invs., Oriflame, S.E.P. Inds., TLB Range.

NEW LOWS (115). AMERICANS (5) CANADIANS (2) BANKS (1) BUILDINGS (12) CHEMICALS (1) STORES (2) ELECTRICALS (7) ENGINEERING (1) HOTELS (1) INDUSTRIALS (18) Amer. Bus. INSURANCE (2) LEISURE (7) MOTORS (2) NEWSPAPERS (1) PAPERS (3) PROPERTY (8) TEXTILES (2) TRUSTS (21) OILS (3) MINES (21).

## LONDON SHARE SERVICE

### BRITISH FUNDS

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

### BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

### AMERICANS—Contd

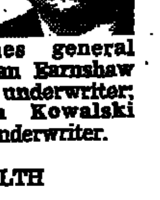
CANADIANS

Continued on next page

## APPOINTMENTS

Shona S. Davison, assistant director at Murray Lawrence Members Agency. These moves will follow the retirement of Mr A.C. Mitchell on January 1. He remains a non-executive director of MURRAY LAWRENCE & PARTNERS.

■ Mr Steven Windich (*pictured*) has been appointed managing director of WELLINGTON PERSONAL INSURANCES. He was vice president of the Prudential of America General Insurance Company in Toronto, Canada. Mr David Parnell becomes general manager; Mr Alan Earnshaw becomes motor underwriter; and Ms Sonia Kowalski becomes senior underwriter.



■ COMMONWEALTH DEVELOPMENT CORPORATION has re-appointed Mr John Eccles for a further three years as general manager. Mr Alistair Boyd has been appointed deputy general manager. The corporation assists overseas countries develop their economies through loans, equity investment and management and technical support.

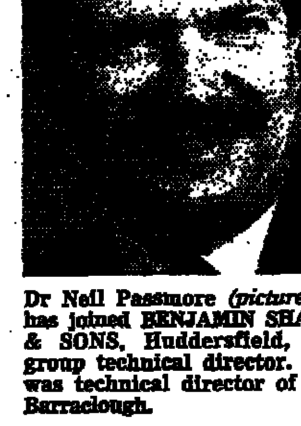
■ ENGELHARD'S engineered materials group has made the following appointments: at the precious metal coating and refining facility Mr Jeff Oates becomes general manager; and Mr John Setchfield becomes commercial director for the electronic products, plating chemicals, Hanovia Liquid Gold and refining businesses; at the industrial products plant Mr Jo Biondo becomes site manufacturing director, Mr John Ollard becomes sales and marketing director, Europe, and Mr David Hammond becomes financial controller.

Ms Penny Jones (*pictured*), a director of PJR management consultants, has been appointed a non-executive director of LEAMINGTON SPA BUILDING SOCIETY, the first woman to join the board.

■ MARTIN BIERBAUM GROUP, international money-brokers trading as RP Martin in the UK, has appointed Mr Ron Sandler as chairman and chief executive officer, succeeding Mr Gary Klesch who will concentrate on other business interests.

■ The BBC has appointed a woman to its board of management for the first time. Mrs Margaret Salmon will take over as director of personnel next March when Mr Roger Chase retires. Mrs Salmon will join from the Burton Group, where she is personnel director.

■ Mr John C. Cumming has joined the board of SALTIRE INSURANCE INVESTMENTS. He is chairman of Anglo American Insurance Company, and of the Isle of Man Assurance Group.



Dr Neil Passmore (*pictured*), has joined BENJAMIN SHAW & SONS, Huddersfield, as group technical director. He was technical director of G. Barraclough.

# LONDON SHARE SERVICE



## BANKS, HP & LEASING

| 1990 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| £13½ | £9 | ABN Amro Fl5 | £9⅞ | .... | Q28% | 2.1 | 8.7 | 5.4 |
| 303 | 134 | ANZ SA1 | 137 | .... | Q38c | ♦ | 11.1 | ♦ |
| 234 | 172 | Abbey National 10p | 234 | +3 | 5.7 | 4.3 | 3.2 | 9.5 |
| 274 | 128 | Allied Irish Ord | 149 | .... | †Q40% | 3.3 | 6.0 | 6.8 |
| 85 | 47 | Anglo Irish | 57 | .... | Q17.9% | ♦ | 7.0 | ♦ |
| 93 | 61 | Ansbacher (H.) 1p | 61 | .... | 2.5 | 1.3 | 5.5 | 17.6 |
| £71½ | £32¾ | Bancaire Cie Fr100 | £49½ | +1 | Q12% | – | 2.7 | – |
| £22½ | £12¾ | Banco Bilbao Viz | £15 | –⅛ | Q49.1% | 2.7 | 5.3 | 10.3 |
| £58¾ | £25½ | Banco de Santander | £26½ | .... | Q24.7% | 2.5 | 3.8 | 10.4 |
| 266 | 130 | Bank Ireland Ir£1 | 154 | .... | Q14.7% | 2.9 | 8.3 | 5.6 |
| £19½ | £18 | Bank Leumi | £19½ | .... | – | – | – | – |
| 351 | 320 | Bank Leumi (U.K.) | 350 | .... | †15.0 | – | 5.7 | – |
| 129½ | 100 | Bank Scotland | 114 | .... | †4.55 | 3.4 | 5.3 | 7.3 |
| 101¼ | 83¾ | Do. 9¼pc Irrd Pf | 96½ | .... | 9¼% | – | 12.8 | – |
| 54 | 39 | Bank of Wales | 42 | .... | 2.8 | 0.8 | 8.9 | 20.2 |
| 428 | 290 | Barclays £1 | 370 | .... | †19.57 | 3.5 | 7.1 | 5.1 |
| 22 | 10 | Benchmark 20p | 11 | +1 | 0.75 | – | 9.1 | – |
| 335 | 213 | Brown Shipley £1 | 214 | .... | ‡12.0 | 2.2 | ‡ | 6.9 |
| 435 | 285 | Cater Allen £1 | 382 | .... | F24.5 | – | 8.6 | – |
| 179 | 29 | Chancery | 44 | +2 | †9.0 | 2.7 | ‡ | 1.8 |
| £25¼ | £14 | Commerzbk DM10 | £17⅝ | +¼ | Q18% | – | 3.5 | – |
| £13⅛ | 620 | Dai Ichi KBk Y50 | 750 | +25 | Q17% | 6.2 | 0.5 | 35.4 |
| £313¾ | £189½ | Deutsche Bk DM50 | £225¾ | +1⅝ | Q28% | – | 2.1 | – |
| £20⅞ | £14⅝ | Espirito Santo | £16⅞ | +⅛ | Q75% | 5.1 | 2.3 | 8.4 |
| 253 | 160 | First Nat. Fin. 10p | 183 | .... | 13.0 | 2.1 | 9.5 | 6.3 |
| 121 | 82 | FNFC 6.5pc Cv Pf | 93 | .... | 6.3% | – | 9.0 | – |
| £13⅛ | 632 | Fuji Bank Y50 | 874 | +22 | †Q17% | 6.9 | 0.4 | 37.2 |
| 325 | 262 | Gerrard & National | 310 | –3 | 19.0 | – | 8.2 | – |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS – Contd

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## ELECTRICALS

[illegible]

## ELECTRICALS – Contd

[illegible]

## ELECTRICITY

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING – Contd

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS (Miscel.) – Contd

[illegible]

## INDUSTRIALS (Miscel.) – Contd.

[illegible]

## INSURANCES

[illegible]

## LEISURE

[illegible]

## MOTORS, AIRCRAFT TRADES

[illegible]

### Commercial Vehicles

[illegible]

# LONDON SHARE SERVICE

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## MOTORS, AIRCRAFT TRADES — Contd

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## PROPERTY—Contd

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRANSPORT

[illegible]

## INVESTMENT TRUST

[illegible]

## INVESTMENT TRUST—Contd

[illegible]

## INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

## FINANCE, LAND, ETC

[illegible]

## WATER

[illegible]

## OIL AND GAS

[illegible]

## OIL AND GAS—Contd

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

## MINES—Contd

### Tins

| 1990 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 35 | 25 | ♦Ayer Hitam SM1 | 25 | ...... | ♦♦Q53.3c | 0.7 | - |
| 75 | 45 | Gopeng Berhad M$0.50 | 45 | ...... | Q11c | 2.6 | 4.6 |
| 67 | 27 | Malaysia Mng. 10c | 31 | ...... | Q7c | 2.3 | 4.2 |
| 160 | 130 | Petaling SM1 | 130 | ...... | Q180c | - | 26.0 |
| 90 | 90 | Tanjong Tin 15p | 90 | ...... | - | - | - |

### Miscellaneous

| 1990 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 190 | 85 | Anglesey Mining 9p | 85 | ...... | - | - | - |
| 110 | 1¼ | Do. Warrants | 1½ | ...... | - | - | - |
| 17 | 4½ | Anglo-Dominion | 6 | -¼ | - | - | - |
| 37 | 12 | Butte Mining 10p | 13 | +½ | - | - | - |
| 44 | 3½ | ♦Colby Mines | 11 | -2 | - | - | - |
| 122 | 23 | Cons. Murch. 10c | 23 | ...... | Q30c | 5.5 | - |
| 26 | 3 | ♦DRX Inc | 3 | ...... | - | - | - |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## THIRD MARKET

[illegible]

## NOTES

[illegible]

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Craig & Rose £1 | 700 | ...... |
| Finlay Pkg. 5p | 38 | ...... |
| Holt (Jos) 25p | 1985 | ...... |

### IRISH

| | | |
|---|---|---|
| Cap. 8¼% Ln. 1991 | £98¼ | ...... |
| 9pc Cap Ln. 1996 | £95 | +½ |
| Fin. 13% 97/02 | £111¼ | +¼ |
| Arnotts | 160 | ...... |
| Carroll (P.J.) | 154 | ...... |
| Hetton Hldgs. | 48 | ...... |
| IRG | 135 | ...... |
| United Drug | 140 | ...... |

## TRADITIONAL OPTIONS

3-month call rates

### Industrials

| | p |
|---|---|
| Allied-Lyons | 48 |
| Amstrad | 6 |
| Astec (BSR) | 4½ |
| BAT | 46 |
| BOC Grp | 28 |
| BTR | 25 |
| Barclays | 30 |
| Blue Circle | 19 |
| Boots | 29 |
| Bowaters | 43 |
| Brit Aerospace | 45 |
| British Steel | 10½ |
| Brit. Telecom | 25 |
| Cadburys | 28 |
| Charter Cons | 38 |
| Comm Union | 40 |
| Courtaulds | 28 |
| Eurotunnel | 35 |
| FKI | 5 |
| FNFC | 20 |
| Gen Accident | 41 |
| GEC | 15 |
| Glaxo | 68 |
| Grand Met | 52 |
| Guardian | 17 |
| GKN | 27 |
| Hanson | 16 |
| Hawker Sidd | 35 |
| ICI | 70 |
| Ladbroke | 22 |
| Legal & Gen | 32 |
| Lex Service | 17 |
| Lloyds Bank | 24 |
| Lucas Inds | 11 |
| Marks & Spencer | 19 |
| Midland Bk | 16 |
| Nat West Bk | 21 |
| P & O Dfd | 44 |
| Racal Elect | 16 |
| RHM | 23 |
| Rank Org Ord | 52 |
| Reed Intnl | 32 |
| STC | 19 |
| Sears | 7½ |
| SmKl. Beecham A | 41 |
| TI | 35 |
| TSB | 11 |
| Tesco | 19 |
| Thorn EMI | 55 |
| Trust Houses | 25 |
| T&N | 13 |
| Unilever | 52 |
| Vickers | 16 |
| Wellcome | 53 |

### Property

| | |
|---|---|
| Brit Land | 24 |
| Control Secs | 3½ |
| Land Securities | 45 |
| MEPC | 38 |
| Mountleigh | 9 |

### Oils

| | |
|---|---|
| Aviva Petlm | 3½ |
| Brit Petroleum | 27 |
| Burmah Castrol | 46 |
| Conroy Petlm | 15 |
| Gaelic Res | 1½ |
| Premier | 7 |
| Shell | 37 |
| Tuskar Res | 2 |
| Ultramar | 29 |

### Mines

| | |
|---|---|
| Lonrho | 19 |
| RTZ | 48 |

# FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128.

## AUTHORISED UNIT TRUSTS

[illegible]

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

# FT MANAGED FUNDS SERVICE

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| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **TSB Unit Trusts (1200)H** | | | | | | |
| Charlton Pl, Andover, Hants. SP10 1RE 0264 346794 | | | | | | |
| TSB American | 6 | 105.89 | 106.58 | 113.38 | +1.79 | 0.75 |
| Do Accum | 6 | 215.74 | 216.5 | 123.93 | +1.95 | 0.75 |
| TSB Brit Growth | 6 | 64.05 | 64.91 | 69.05 | -0.28 | 3.96 |
| Do Accum | 6 | 70.81 | 71.76 | 76.34 | -0.31 | 3.96 |
| TSB European | 6 | 67.32 | 67.77 | 72.09 | -0.31 | 1.21 |
| Do Accum | 6 | 69.76 | 70.23 | 74.71 | -0.32 | 1.21 |
| TSB Extra Income | 6 | 140.39 | 143.51 | 152.67 | -0.58 | 6.1 |
| Do Accum | 6 | 198.55 | 202.98 | 215.93 | -0.82 | 6.1 |
| TSB Smaller Cos | 6 | 37.96 | 39.68 | 42.21 | +0.12 | 3.26 |
| Do Accum | 6 | 39.8 | 41.6 | 44.25 | +0.11 | 3.26 |
| TSB General | 6 | 197.25 | 197.25 | 209.84 | -0.58 | 4.22 |
| Do Accum | 6 | 361.61 | 361.61 | 384.69 | -1.05 | 4.22 |
| TSB Premier Income | 5 | 41.58 | 42.29 | 43.98 | -0.06 | 9.41 |
| Do Accum | 5 | 73.11 | 74.25 | 77.34 | -0.11 | 9.41 |
| TSB Income | 6 | 258.68 | 263.85xd | 280.69 | -1.97 | 5.67 |
| Do Accum | 6 | 480.9 | 490.53xd | 521.84 | -3.67 | 5.67 |
| TSB Pacific | 6 | 193.14 | 196.9 | 209.46 | +0.97 | 0.32 |
| Do Accum | 6 | 201.02 | 204.97 | 217.94 | +1.01 | 0.32 |
| TSB International | 6 | 330.4 | 330.4xd | 351.48 | +1.1 | 1.57 |
| Do Accum | 6 | 423.8 | 423.8xd | 450.85 | +1.42 | 1.57 |
| TSB Nat Resources | 6 | 52.77 | 53.4 | 56.8 | +0.7 | 1.35 |
| Do Accum | 6 | 57.24 | 57.93 | 61.62 | +0.7 | 1.35 |
| TSB Sictd Opps | 6 | 69.06 | 70.8 | 75.31 | -0.39 | 3.83 |
| Do Accum | 6 | 82.42 | 84.5 | 89.89 | -0.45 | 3.83 |
| Environmental Inv | 6 | 40.33 | 41.03 | 43.64 | -0.02 | 2.7 |
| Do Accum | 6 | 41.25 | 41.97 | 44.64 | -0.02 | 2.7 |
| TSB Selector | 6 | 41.86 | 42.59xd | 45.3 | -0.17 | 4.67 |
| Do Accum | 6 | 43.14 | 43.88 | 46.68 | -0.18 | 4.63 |
| TSB High Income | 6 | 45.09 | 45.75 | 48.67 | -0.27 | 6.47 |
| Do Accum | 6 | 45.09 | 45.75 | 48.67 | -0.27 | 6.47 |
| TSB Intl Income | 6 | 47.23 | 47.42 | 50.44 | -0.04 | 7.04 |
| Do Accum | 6 | 47.23 | 47.42 | 50.44 | -0.04 | 7.04 |
| TSB Selector Income | 6 | 44.83 | 45.35 | 48.24 | -0.17 | 6.84 |
| Do Accum | 6 | 44.83 | 45.35 | 48.24 | -0.17 | 6.84 |
| **Target Trust Mngrs Ltd (1600)F** | | | | | | |
| Target Hse, Gatehouse Rd, Aylesbury, Bucks. Admin: 0296 394000 Dealing: 0296 312256 | | | | | | |
| American Eagle | 5 | 60.83 | 60.83xd | 64.89 | +0.39 | 1.19 |
| Australia | 5 | 5.169 | 5.169 | 5.533 | [illegible] | 4.82 |
| Equity | 5 | 141.5 | 141.5 | 151.9 | +0.3 | 5.06 |
| Euro Spec Sits | 5 | 98.45 | 98.45 | 105.6 | ... | 0.65 |
| Financial | 5 | 25.32 | 25.41 | 27.38 | +0.12 | 5.45 |

[illegible]

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **M & G Securities Ltd** | | | | |
| Charibond | 99.1 | 99.1xd | +0.3 | 10.90 |
| (Accum Units) | 525.3 | 525.3 | +1.5 | 10.90 |
| NAACIF Dec 5 | — | 40.2xd | ..... | 9.90 |
| **MIM Ltd** | | | | |
| Exempt Funds | | | | |
| Intl Mngd P'Folio | 976.0 | 1054.0 | ..... | — |
| Mngd Pens (Acc) | 57.5 | 61.3 | ..... | — |
| **Morgan Grenfell Unit Trust Managers Ltd** | | | | |
| Exempt Funds | | | | |
| UK Equity † Dec 11 | 113.4 | 121.5 | ..... | 3.16 |
| UK Small Co † Dec 11 | 435.2 | 475.9 | ..... | 2.24 |
| Fixed Interest † Dec 11 | 100.9 | 106.1 | ..... | 8.33 |
| US Small Co Dec 11 | 104.5 | 111.6 | ..... | 0.00 |
| Managed Dec 11 | 96.96 | 103.1 | ..... | 2.54 |
| Intl Bond Dec 11 | 106.6 | 112.5 | ..... | 8.10 |
| Japan Dec 11 | 63.03 | 67.40 | ..... | 1.01 |
| European Dec 11 | 80.55 | 86.11 | ..... | 1.70 |
| Nth American Dec 11 | 80.05 | 85.92 | ..... | 1.62 |
| **Murray Johnstone UT Mngmt** | | | | |
| Murray Exempt Funds | | | | |
| Amer Expt Dec 12 | 39.6 | 41.1 | ..... | 2.62 |
| Euro Expt Dec 12 | 48.0 | 50.9 | ..... | 3.40 |
| Fixed Int Ex Dec 12 | 44.1 | 45.3xd | ..... | 11.35 |
| Japan Expt Dec 12 | 40.0 | 41.7xd | ..... | 0.74 |
| Managed Ex Dec 12 | 38.3 | 39.8 | ..... | 5.16 |
| SE Asia Expt Dec 12 | 56.3 | 59.1 | ..... | 6.75 |
| Sm Cos Expt Dec 12 | 28.3 | 29.7xd | ..... | 6.10 |
| UK Eqty Ex Dec 12 | 36.1 | 37.9 | ..... | 4.33 |
| **Phillips & Drew Fund Management Ltd** | | | | |
| Small Co's Dec 5 | 592.43 | 634.6 | ..... | 5.78 |
| Do Accum | 659.2 | 705.8 | ..... | 5.78 |
| Int Expt Dec 12 | 149.80 | 151.90 | +1.20 | 3.0 |
| UK Index Dec 10 | 999.0 | 1019 | ..... | 6.07 |
| Do Accum | 1056 | 1076 | ..... | 6.07 |
| Convertible Dec 7 | 81.08 | 83.69 | ..... | 8.73 |
| World ex UK Index Dec 10 | 658.6 | 667.5 | ..... | 3.05 |
| Do Accum | 658.6 | 667.5 | ..... | 3.05 |
| Japan Index Dec 10 | 523.4 | 531.1 | ..... | 0.58 |
| Do Accum | 524.4 | 532.0 | ..... | 0.58 |
| USA Index Dec 10 | 766.2 | 771.1 | ..... | 3.47 |

[illegible]

## INSURANCES

[illegible]

## OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

# FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Life Assurance Ltd

Providence Capitol Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life of Canada –Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

TSB Life Ltd

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

## OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Fidelity International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

NM Life Assurance Int Ltd

Providence Capitol International Ltd

Premium Life International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

## MANAGEMENT SERVICES

David M. Aaron (Personal) Fin. Plan.) Ltd

The Analysis Group PLC

Bryan Walls & Partners Ltd

Cameron Lowe & Company Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

Drummond Moores Plc

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Glen Bain Ltd

Gartmore Fund Managers Ltd

Hendrinter Financial Services(Pty) Ltd

I.P.S. Lamont plc

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Macarthey & Dewis F.S. Ltd

Northam Blogs & Partners

PSA Fund Management Ltd

Pendleton May Financial Services Ltd

Roxborough Financial Management Ltd

Rutland Inv Mng & Inv Grp ("RIBIG")

Shaw (Albert E) & Co.

Silesia Fund Managers Limited

South Yorks Investment Management

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

# OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

Orion Fund Limited

## CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

## GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mngt (Guernsey) Ltd

BBV-Hambros Asset Mngmt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Gryfond Invest Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Lazard Fund Managers (CI) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Schroder Mngmt Services (Guernsey) Ltd

## IRELAND (SIB RECOGNISED)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)

## GUERNSEY (REGULATED)

## JERSEY (SIB RECOGNISED)

# FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

**M & G (Guernsey) Ltd**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Island Gold | 1463.4 | 1556.8 | -16.3 | 1.35 |
| (Accum. Units) | 2651.4 | 2820.6 | -29.5 | 1.35 |

**Merrill Lynch Guernsey**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Bangkok NAV Dec 12 | | 563.96 | | - |
| Iberia Portfolio NAV | | $10.02 | +0.03 | - |

**NM Financial Mgmt Intl Ltd**

**Nikko Capital Mgmt (Europe) Ltd**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Japan Index Fund | Y2,669 | 2,716 | | - |
| New Generation Fd $ | $21.64 | 21.87 | | - |
| Japan Index Alpha | Y7,634 | 7,748 | | - |
| Jap Sector Rotation | Y6,746 | 6,849 | | - |

**Prudential Intl Financial Services Ltd**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Sterling | 129.6 | 130.0 | | 10.81 |
| Managed Dollar | $14.27 | 14.31 | +0.01 | 7.58 |
| Sterling Deposit | 100.0 | 100.0 | | 10.37 |
| Dollar Deposit | $10.00 | 10.00 | | - |
| DM Deposit | DM50.50 | 50.69 | | 6.18 |
| SWFr Deposit | SF50.00 | 50.00 | | - |
| J. Yen Deposit | Y5,041 | 5,060 | | 5.30 |

**Sanli International (Guernsey) Ltd**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Intl Bond | $10.34 | 10.52 | +0.06 | - |
| Intl Dollar | $10.27 | 10.28 | | - |
| Intl Equity | $10.56 | 10.92 | +0.28 | - |

## IRELAND (SIB RECOGNISED)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

**Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F**

PO Box 63, Bond Street, St. Helier, Jersey 0534 76029

**Lloyds Bank (CI) U/T Mgrs.**

PO Box 195, St Helier, Jersey 0534 27561

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Lloyds Tst. Gilt | 2½ | 9.354 | 9.372 | 9.617 | | 11.65 |

Dealing daily

**Midland Bank Fund Managers (Jersey) Ltd**

PO Box 26, St Helier, Jersey 0534 37788

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Intl Circuit Portfolio | 6 | 88.85 | 88.85 | 94.26 | -0.23 | 0.00 |
| Gilt | 3 | 91.63 | 91.63 | 94.47 | -0.32 | 12.70 |

**MIM Britannia International (Jersey) Ltd**

PO Box 271, St Helier, Jersey 0534 73114

**Royal Trust Jsy Fd Mngt Ltd (1400)F**

PO Box 428, St Helier, Jersey 0534 76077

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Govt.Secs Fd | 4 | 54.48 | 54.48 | 56.91 | | 11.42 |

**TSB Trust Funds (CI)**

PO Box 538, St Helier, Jersey 0534 73494

## JERSEY (REGULATED)(**)

**Scimitar Worldwide Money Fund Ltd**

**Scimitar Worldwide Selection Fd Ltd**

## LUXEMBOURG (SIB RECOGNISED)

**Fleming Group (u)**

45 Rue Des Scillas L-2529 Howald Luxembourg

**Codevalor (u)**

**Cortexa International (u)**

**Credit Commercial de France**

**Credit Suisse**

## LUXEMBOURG (REGULATED)(**)

**World Bond Fund-SICAV (u)**

**World Capital Gwth Fd-SICAV (u)**

**Yamaichi Advanced Technology Fd**

**Yamaichi 1992 OMNI Fund SICAV (u)**

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

**GW Investment Mngmt Ltd**

**Gaia Currency Funds**

**Gartmore Investment Ltd**

**Nomura Warrant Fund 1990 Ltd**

**North Star Fund Managers (Cayman) Ltd**

MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Steady D-Mark helps pound

THE D-MARK was unmoved by yesterday's decision of the Bundesbank council to leave German interest rates unchanged. As expected the central bank used the occasion to set a money supply target for next year, but it left until the new year any decision on official interest rates, despite recent upward pressure on money market rates.

The Bundesbank is looking to limit inflationary trends from German unification and wage settlements by setting a target for M3 growth of 4 to 6 per cent for 1991, unchanged from the target for West Germany this year. October M3 growth has been revised down to 5.6 from 5.7 per cent, and according to Mr Otmar Issing, a member of the Bundesbank board, " the chances are good that we will be clearly within the corridor at the end of the year."

At last night's close in London the D-Mark was slightly firmer against the yen, rising to Y89.25 from Y89.15, but showed no sign of attacking strong resistance at Y90.00. The German currency weakened slightly against the dollar. It was little changed within the European Monetary System, holding steady against the French franc and Italian lira while losing a little ground to sterling.

At the London close the D-Mark had advanced slightly to FFr3.3975 from FFr3.3970. Earlier in the day it was fixed in Paris at FFr3.3975 compared with FFr3.3933 on Wednesday. In terms of the lira, the D-Mark finished unchanged at L754.15, after being fixed at L754.00 in Milan against L752.95 previously. The Bank of Italy sold DM60m and Ecu50m to support the lira at the fixing.

Within the ERM the D-Mark remained the second strongest currency, ahead of the Dutch guilder and Belgian franc. All three currencies are supported by upward trends in interest rates.

The Spanish peseta stayed at the top of the system after the Bank of Spain showed no sign of relaxing its tight monetary stance. At a regular auction of certificates, the central bank left its money market intervention rate at 14.65 per cent.

Sterling was again the weakest member of the ERM, but had a firmer tone after Mr Norman Lamont, UK chancellor of the exchequer, told parliament on Wednesday that there will be no cut in interest rates unless fully justified by the pound's position in the system.

The pound was unchanged at $1.9440, while climbing to DM2.8775 from DM2.8750; to FFr9.7775 from FFr9.7625; to SFr2.4600 from SFr2.4575; and to Y257.00 from Y256.25. Its index rose 0.2 to 93.5.

The dollar remained quiet, but was generally slightly firmer as traders covered short positions ahead of the year-end. It rose to DM1.4805 from DM1.4785; to Y132.15 from Y131.85; to FFr5.0300 from FFr5.0225; and to SFr1.2655 from SFr1.2645. The dollar's index gained 0.1 to 60.6.

### £ IN NEW YORK

| Dec.12 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.9445-1.9455 | 1.9495-1.9505 |
| 1 month | 1.07-1.06pm | 1.07-1.05pm |
| 3 months | 2.84-2.81pm | 2.79-2.76pm |
| 12 months | 8.60-8.50pm | 8.52-8.42pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | Dec.13 | Previous |
|---|---|---|
| 8.30 am | 93.5 | 93.2 |
| 9.00 am | 93.5 | 93.2 |
| 10.00 am | 93.6 | 93.2 |
| 11.00 am | 93.5 | 93.3 |
| Noon | 93.5 | 93.3 |
| 1.00 pm | 93.5 | 93.3 |
| 2.00 pm | 93.5 | 93.3 |
| 3.00 pm | 93.5 | 93.3 |
| 4.00 pm | 93.5 | 93.3 |

### CURRENCY MOVEMENTS

| Dec 13 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 93.5 | -19.0 |
| U.S. Dollar | 60.6 | -18.7 |
| Canadian Dollar | 101.5 | +0.7 |
| Austrian Schilling | 111.0 | +12.7 |
| Belgian Franc | 112.5 | -1.6 |
| Danish Krone | 111.4 | +5.7 |
| D-Mark | 121.1 | +26.8 |
| Swiss Franc | 115.1 | +23.4 |
| Dutch Guilder | 116.1 | +17.4 |
| French Franc | 105.4 | -11.4 |
| Lira | 100.2 | -19.0 |
| Yen | 132.0 | +66.6 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Dec. 12 .

### CURRENCY RATES

| Dec 13 | Bank rate % | Special * Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling | - | 0.739775 | 0.709893 |
| U.S. Dollar | 7 | 1.44049 | 1.38536 |
| Canadian $ | 12.82 | 1.67126 | 1.60563 |
| Austrian Sch | 6½ | 14.9494 | 14.3703 |
| Belgian Franc | 10¼ | N/A | 42.3192 |
| Danish Krone | 10½ | 8.17406 | 7.86536 |
| D-Mark | 6.00 | 2.12472 | 2.04201 |
| [illegible] | [illegible] | [illegible] | [illegible] |

† European Commission Calculations. * All SDR rates are for Dec. 12

### OTHER CURRENCIES

| Dec 13 | £ | $ |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

* Selling rate

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Dec 13 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Spanish Peseta | 133.631 | 130.348 | -2.46 | 4.43 | 43 |
| D-Mark | 2.05586 | 2.04201 | -0.67 | 2.55 | 43 |
| Dutch Guilder | 2.31643 | 2.30357 | -0.56 | 2.43 | 27 |
| Belgian Franc | 42.4032 | 42.3192 | -0.20 | 2.07 | 10 |
| Irish Punt | 0.767417 | 0.767256 | -0.02 | 1.89 | 1 |
| Italian Lira | 1538.24 | 1540.17 | 0.13 | 1.74 | -6 |
| Danish Krone | 7.84195 | 7.86536 | 0.30 | 1.56 | -14 |
| French Franc | 6.89509 | 6.93856 | 0.63 | 1.23 | -35 |
| Sterling | 0.696904 | 0.709893 | 1.86 | 0.00 | -36 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

### POUND SPOT - FORWARD AGAINST THE POUND

| Dec 13 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.9435 - 1.9515 | 1.9435 - 1.9445 | 1.07-1.05cpm | 6.54 | 2.89-2.86pm | 5.92 |
| Canada | 2.2515 - 2.2685 | 2.2545 - 2.2555 | 0.42-0.36cpm | 2.08 | 0.80-0.67pm | 1.30 |
| Netherlands | 3.2425 - 3.2525 | 3.2425 - 3.2525 | 1⅛-1¼cpm | 4.85 | 3¼-3pm | 3.85 |
| Belgium | 59.40 - 59.75 | 59.55 - 59.65 | 30-20cpm | 5.03 | 60-50pm | 3.69 |
| Denmark | 11.0600 - 11.0950 | 11.0750 - 11.0850 | 3⅞-3½orepm | 3.99 | 8⅛-7⅞pm | 2.93 |
| Ireland | 1.0745 - 1.0870 | 1.0815 - 1.0825 | 0.38-0.32cpm | 3.88 | 0.80-0.66pm | 2.70 |
| Germany | 2.8750 - 2.8800 | 2.8750 - 2.8800 | 1¼-1⅛pfpm | 4.95 | 3-2¾pm | 4.00 |
| Portugal | 253.50 - 254.75 | 253.50 - 254.50 | 15pm-8cdis | 0.17 | 100-165dis | -2.09 |
| Spain | 182.75 - 184.00 | 182.95 - 183.25 | 3 -4cdis | -0.23 | 29-40dis | -0.75 |
| Italy | 2166.00 - 2172.50 | 2170.00 - 2171.00 | 3 -1lirepm | 1.11 | 7-5pm | 1.11 |
| Norway | 11.2700 - 11.3075 | 11.2950 - 11.3050 | 3⅞-2⅝orepm | 3.05 | 6⅛-5½pm | 2.06 |
| France | 9.7650 - 9.7850 | 9.7725 - 9.7825 | 3¾-3½cpm | 4.45 | 8¼-7⅞pm | 3.30 |
| Sweden | 10.8350 - 10.8650 | 10.8425 - 10.8525 | ⅝-⅛orepm | 0.55 | 1½-2dis | -0.65 |
| Japan | 256.20 - 257.50 | 256.50 - 257.50 | 1⅜-1¼ypm | 6.13 | 3⅞-3¼pm | 5.16 |
| Austria | 20.21 - 20.26 | 20.21 - 20.24 | 9⅛-7⅞gropm | 5.01 | 23⅛-20pm | 4.26 |
| Switzerland | 2.4550 - 2.4650 | 2.4550 - 2.4650 | 1⅛-1cpm | 5.18 | 2⅞-2⅝pm | 4.47 |
| Ecu | 1.4005 - 1.4040 | 1.4015 - 1.4025 | 0.47-0.43cpm | 3.85 | 1.07-1.01pm | 2.97 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.02-4.97cpm , 12 Month 8.65-8.55cpm

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Dec 13 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.9435 - 1.9515 | 1.9435 - 1.9445 | 1.07-1.05cpm | 6.54 | 2.89-2.86pm | 5.92 |
| Ireland† | 1.7990 - 1.8050 | 1.7990 - 1.8000 | 0.39-0.34cpm | 2.43 | 1.37-1.27pm | 2.93 |
| Canada | 1.1585 - 1.1605 | 1.1590 - 1.1600 | 0.41-0.43cdis | -4.35 | 1.20-1.25dis | -4.23 |
| Netherlands | 1.6615 - 1.6705 | 1.6695 - 1.6705 | 0.21-0.24cdis | -1.62 | 0.72-0.76dis | -1.77 |
| Belgium | 30.50 - 30.75 | 30.60 - 30.70 | 4-6cdis | -1.96 | 14-18dis | -2.09 |
| Denmark | 5.6760 - 5.7025 | 5.6975 - 5.7025 | 1.08-1.28oredis | -2.48 | 3.70-4.30dis | -2.81 |
| Germany | 1.4725 - 1.4815 | 1.4800 - 1.4810 | 0.18-0.20pfdis | -1.54 | 0.61-0.64dis | -1.69 |
| Portugal | 130.50 - 131.10 | 130.95 - 131.05 | 40-50cdis | -4.12 | 190-220dis | -6.26 |
| Spain | 94.05 - 94.40 | 94.25 - 94.35 | 53-57cdis | -7.00 | 156-165dis | -6.81 |
| Italy | 1111.00 - 1116.75 | 1116.25 - 1116.75 | 4.40-5.00liredis | -5.05 | 12.90-13.90dis | -4.80 |
| Norway | 5.7850 - 5.8150 | 5.8100 - 5.8150 | 1.40-1.75oredis | -3.25 | 5.05-5.55dis | -3.65 |
| France | 5.0040 - 5.0330 | 5.0275 - 5.0325 | 0.87-0.92cdis | -2.14 | 3.17-3.27dis | -2.56 |
| Sweden | 5.5570 - 5.5825 | 5.5775 - 5.5825 | 2.73-3.00oredis | -6.16 | 8.65-9.30dis | -6.43 |
| Japan | 131.20 - 132.20 | 132.10 - 132.20 | 0.05-0.06ydis | -0.50 | 0.15-0.17dis | -0.48 |
| Austria | 10.3640 - 10.4200 | 10.4150 - 10.4200 | 1.00-1.60grdis | -1.50 | 3.40-4.70dis | -1.56 |
| Switzerland | 1.2575 - 1.2660 | 1.2650 - 1.2660 | 0.10-0.13cdis | -1.09 | 0.30-0.35dis | -1.03 |
| Ecu | 1.3850 - 1.3920 | 1.3860 - 1.3870 | 0.31-0.29cpm | 2.6 | 0.97-0.91pm | 2.71 |

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

### EURO-CURRENCY INTEREST RATES

| Dec 13 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 14¾ - 14½ | 14⅞ - 14⅝ | 14⅞ - 14⅝ | 13¾ - 13⅝ | 13¼ - 13⅛ | 12⅝ - 12⅜ |
| US Dollar | 7¼ - 7⅛ | 7¼ - 7⅛ | 7⅞ - 7¾ | 7⅝ - 7½ | 7⅜ - 7¼ | 7⅜ - 7¼ |
| Can. Dollar | 11⅞ - 11⅝ | 12 - 11¾ | 11⅞ - 11⅝ | 11¾ - 11½ | 11⅜ - 11⅛ | 11⅛ - 10⅞ |
| Dutch Guilder | 9⅜ - 9¼ | 9⅜ - 9¼ | 9⅜ - 9¼ | 9⅜ - 9¼ | 9⅜ - 9¼ | 9⅜ - 9¼ |
| Swiss Franc | 9 - 8¾ | 8⅞ - 8¾ | 9 - 8⅞ | 8⅞ - 8¾ | 8¾ - 8⅝ | 8½ - 8⅜ |
| D-Mark | 8½ - 8⅜ | 8⅝ - 8½ | 9⅛ - 9 | 9⅜ - 9¼ | 9⅜ - 9¼ | 9½ - 9⅜ |
| French Franc | 9⅝ - 9½ | 9⅝ - 9½ | 9⅞ - 9¾ | 10⅛ - 9⅞ | 10⅛ - 10 | 10⅛ - 10 |
| Italian Lira | 13 - 11 | 13⅜ - 12⅞ | 13 - 12½ | 12⅞ - 12⅝ | 12½ - 12⅜ | 12⅛ - 12 |
| Belgian Franc | 9⅛ - 9⅜ | 9⅝ - 9⅜ | 9⅞ - 9⅝ | 9⅞ - 9¾ | 9⅞ - 9¾ | 10⅛ - 9⅞ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### EXCHANGE CROSS RATES

| Dec. 13 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |
| C $ | [illegible] | [illegible] | [illegible] | 114.0 | 4.336 | 1.091 | 1.440 | 962.3 | 1 | 26.43 |
| B Fr. | [illegible] | [illegible] | [illegible] | 431.2 | 16.40 | 4.128 | 5.448 | 3641 | 3.784 | 100. |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100

## FINANCIAL FUTURES AND OPTIONS

[illegible]

IMM-STERLING $s per £

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 1.9470 | 1.9520 | 1.9464 | 1.9486 |
| Mar | 1.9186 | 1.9230 | 1.9180 | 1.9202 |
| Jun | 1.8988 | - | - | 1.8988 |

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 14 | Coutts & Co | 14 | NatWestminster | 14 |
| Adam & Company | 14 | Cyprus Popular Bk | 14 | Northern Bank Ltd | 14 |
| Allied Trust Bank | 14 | Dunbar Bank PLC | 14 | Norwich Gen Trust | 14 |
| AIB Bank | 14 | Duncan Lawrie | 14 | Provincial Bank PLC | 15 |
| • Henry Ansbacher | 14 | Equatorial Bank plc | 14 | Roxburghe Guarantee | 14½ |
| Associates Cap Corp | 15½ | Exeter Trust Ltd | 15 | Royal Bk of Scotland | 14 |
| • B & C Merchant Bank | 15 | Financial & Gen Bank | 15 | Royal Trust Bank | 14 |
| Bank of Baroda | 14 | First National Bank Plc | 15 | • Smith & Williamson Secs | 14 |
| Banco Bilbao Vizcaya | 14 | • Robert Fleming & Co | 14 | Standard Chartered | 14 |
| Bank of Cyprus | 14 | Robert Fraser & Ptnrs | 15 | TSB | 14 |
| Bank of Ireland | 14 | Girobank | 14 | Unibank plc | 14 |
| Bank of India | 14 | • Guinness Mahon | 14 | United Bk of Kuwait | 14 |
| Bank of Scotland | 14 | HFC Bank plc | 14½ | United Mizrahi Bank | 14 |
| Banque Belge Ltd | 14 | • Hambros Bank | 14 | Unity Trust Bank Plc | 14 |
| Barclays Bank | 14 | Heritable & Gen Inv Bnk | 14 | Western Trust | 14 |
| Benchmark Bank | 14 | • Hill Samuel | 14 | Westpac Bank Corp | 14 |
| Brit Bk of Mid East | 14 | C. Hoare & Co | 14 | Whiteaway Laidlaw | 14½ |
| • Brown Shipley | 14 | Hongkong & Shangh | 14 | Yorkshire Bank | 14 |
| CL Bank Nederland | 14 | • Leopold Joseph & Sons | 14 | | |
| Citibank NA | 14 | Lloyds Bank | 14 | | |
| City Merchants Bank | 14 | Meghraj Bank Ltd | 14 | | |
| Clydesdale Bank | 14 | Midland Bank | 14 | | |
| Comm Bk of N East | 14 | Mount Banking | 14 | | |
| Co-operative Bank | 14 | Nat Bk of Kuwait | 14 | | |

• Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.1% Sweenie 7.7%. Top Tier-£10,000+ instant access 13.7%

## MONEY MARKET FUNDS

### Money Market Trust Funds

[illegible]

### Money Market Bank Accounts

[illegible]

## MONEY MARKETS

# Short sterling falls

TURNOVER IN December short sterling was relatively heavy on Liffe for a contract so near delivery, as a recent bout of selling accelerated after the UK chancellor of the exchequer warned that interest rates will not be cut until this can be justified by sterling's position in the ERM.

December short sterling was as high as 87.00 only three weeks ago, discounting bank base rates of 13 per cent by delivery on December 19. On Wednesday the price closed at 86.49 and in early trading yesterday it touched a low of 86.20 and closed at 86.30 to indicate

**UK clearing bank base lending rate 14 per cent from October 8, 1990**

a three-month interbank rate of around 13¾ at delivery.

Cash rates were firmer as a result of the chancellor's warning. Three-month interbank rose to 13⅞-13⅞ from 13¾-13⅞ per cent and 12-month money climbed to 12⅝-12¼ from 12⅝-12¼ per cent.

Credit was in short supply on the money market. Yesterday's shortage was initially forecast at £1,550m by the Bank of England. This was revised to £1,500m at noon and to £1,450 in the afternoon.

Total assistance of £1,380m was provided. An early round of help was offered and at that time the authorities bought £253m bills outright, by way of £55m bank bills in band 1 at 13⅞ per cent; £10m Treasury bills in band 2 at 13⅞ per cent; and £188m bank bills in band 2 at 13¾ per cent.

Before lunch another £288m bills were purchased, via £192m bank bills in band 1 at 13⅞ per cent and £96m bank bills in band 2 at 13¾ per cent.

In the afternoon £759m bills were bought, through £37m Treasury bills in band 1 at 13⅞ per cent; £169m bank bills in band 1 at 13⅞ per cent; £7m Treasury bills in band 2 at 13¾ per cent; and £546m bank bills in band 2 at 13¾ per cent. Late assistance of around £80m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £518m, with exchequer transactions absorbing £810m, a rise in the note circulation £180m and bank balances below target £30m.

In Frankfurt call money eased to 8.40 from 8.45 per cent. As expected the Bundesbank did not change its credit policy at yesterday's council meeting. A move to a flexible Lombard rate is not ruled out early in the new year, amid official concern that call money has remained very close to the Lombard rate, even after last month's rise to 8.50 per cent.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Dec.13) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 7⅞ | offer 7⅞ | bid 7¼ | offer 7⅜ |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK** Treasury Bills and Bonds

Lunchtime

| | | | | | |
|---|---|---|---|---|---|
| Prime rate | 10 | One month | 6.98 | Three year | 7.35 |
| Broker loan rate | 9½ | Two month | 7.02 | Four year | 7.52 |
| Fed funds | 7¼ | Three month | 7.00 | Five year | 7.62 |
| Fed. funds at intervention | - | Six month | 7.02 | Seven year | 7.85 |
| | | One year | 7.05 | 10-year | 7.94 |
| | | Two year | 7.25 | 30-year | 8.10 |

| Dec.13 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 8.35-8.45 | 8.95-9.10 | 9.00-9.15 | 9.00-9.15 | 9.05-9.25 | 8.50 |
| Paris | 9⅞-9⅞ | 9⅞-9⅞ | 9⅞-10 | 10⅛-10⅛ | 10⅛-10⅛ | 9.25 |
| Zurich | 7⅞-8⅛ | 8⅞-9 | - | 8⅞-8⅞ | - | - |
| Amsterdam | 9.00-9.13 | 9.38-9.43 | - | 9.25-9.35 | - | - |
| Tokyo | 7⅞-8 | 8⅛-8⅞ | - | 8⅞-8⅞ | - | - |
| Milan | 11⅞-12⅛ | 14⅛-14⅛ | - | 13⅞-14 | - | - |
| Brussels | 9.20 | 9⅞-9⅞ | - | 9⅞-9⅞ | - | - |
| Dublin | 8⅛-8⅛ | 10⅞-10⅞ | 10⅞-10⅞ | 10⅞-10⅞ | 11-11⅛ | - |

### LONDON MONEY RATES

| Dec 13 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 19 | 14⅝ | 14½ | 14 | 13⅞ | 12⅝ |
| Interbank Bid | 12 | 14⅜ | 14¼ | 13⅞ | 13⅛ | 12⅛ |
| Sterling CDs | - | - | 14⅛ | 13⅞ | 13⅞ | 12⅞ |
| Local Authority Deps. | 14½ | 14½ | 14⅞ | 13½ | 12⅞ | 12⅝ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps. | 14½ | 14½ | 13⅞ | 13 | - | - |
| Company Deposits | - | - | 14¼ | 13⅞ | 13 | 12⅞ |
| Finance House Deposits | - | - | 14⅛ | 14⅛ | 13⅛ | 12⅝ |
| Treasury Bills (Buy) | - | - | 13⅞ | 13⅞ | - | - |
| Bank Bills (Buy) | - | - | 13⅞ | 13⅞ | 12⅞ | - |
| Fine Trade Bills (Buy) | - | - | 14⅞ | 13⅞ | 12⅞ | - |
| Dollar CDs | - | - | 7.90 | 7.65 | 7.53 | 7.47 |
| SDR Linked Dep. Offer | - | - | 9 | 9⅛ | 9⅛ | 9⅛ |
| SDR Linked Dep. Bid | - | - | 8⅞ | 9 | 8⅞ | 8⅞ |
| ECU Linked Dep. Offer | - | - | 10⅞ | 10⅛ | 10⅞ | 10⅞ |
| ECU Linked Dep. Bid | - | - | 10⅞ | 10⅛ | 10⅞ | 10⅞ |

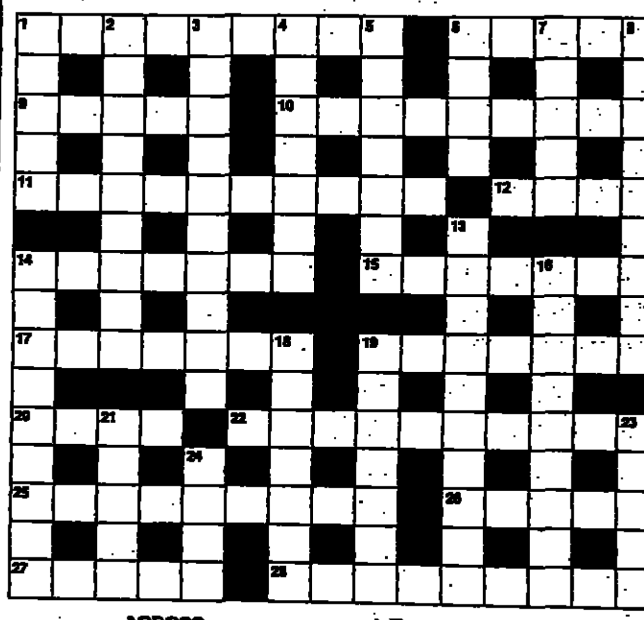
Treasury Bills (sell): one-month 13⅞ per cent; three months 13⅞ per cent; six months 12⅞ per cent; Bank Bills (sell): one-month 13⅞ per cent; three months 13⅞ per cent; Treasury Bills; Average tender rate of discount 12.6852 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 1 ,1990 Agreed rates for period Dec 26,1990 to Jan 25 , 1991, Scheme I: 14.59 p.c., Schemes II & III: 14.87 p.c. Reference rate for period Nov 30,1990 to Nov 30 , 1990, Scheme IV&V: 13.698 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from December 1 , 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8,1990. Deposits withdrawn for cash 5 per cent.



JOTTER PAD

## CROSSWORD

No.7,419 Set by VIXEN



**ACROSS**

1 Men troubled about business proceed to ring around (5)
6 Restraint is little credit to a politician (5)
9 Old Nick survived to make a comeback (5)
10 The inexperienced driver one reproves and wounds (9)
11 The guy who's out for a duck (10)
12 A yard in extent (4)
14 Happened on many a worker going round the church (7)
15 A singer's apron – so essential (7)
17 The player's wavering (7)
19 Decline a prize (7)
20 Material for the disabled (4)
22 The extra note used to get quiet tot crisps maybe (10)
25 Up it goes for viewers in the main (9)
26 Bill and Edward were working (5)
27 Young relation being precise about a certain point (5)
28 Nude press appearance may well hold things up! (9)

**DOWN**

1 Even dowagers have to invest (5)
2 A series of people backed the French rogue in a hole (9)
3 Criminal fellow, the commission-agent! (10)
4 Everyone was in debt, that's admitted (7)
5 For the fitting use of electrical appliances (7)
6 Find fault with vehicle parking (4)
7 Shed tears when such a bloomer is made (5)
8 A Greek character's accountant – right fishy! (9)
13 Gain honour (10)
14 Stock enclosure (6,3)
16 Installed a page – sharp! (9)
18 Smelling nothing, and upset, so dour (7)
19 The player getting caught in a lock of hair (7)
21 Ruin on north-eastern river (5)
23 The royal family possibly tour around hundreds (5)
24 Tradesmen will always accommodate a woman (4)

Solution to Puzzle No.7,418

# WORLD STOCK MARKETS

## CANADA

TORONTO

*2pm prices December 13*

## INDICES

### NEW YORK

| DOW JONES | Dec. 12 | Dec. 11 | Dec. 10 | Dec. 7 | 1990 HIGH | 1990 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ♦Industrials | 2622.28 | 2586.14 | 2596.78 | 2590.10 | 2999.75 (16/7) | 2365.10 (11/10) | 2999.75 (16/7/90) | 41.22 (2/7/32) |
| Home Bonds | 91.12 | 91.10 | 91.06 | 90.92 | 93.04 (3/1) | 88.44 (24/9) | — | — |
| Transport | 915.29 | 905.17 | 909.67 | 909.67 | 1212.77 (6/6) | 821.93 (17/10) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 210.32 | 209.07 | 210.45 | 210.07 | 236.23 (2/1) | 190.96 (24/8) | 236.23 (2/1/90) | 10.50 (8/4/32) |

♦Day's High 2630.69 (2606.95) Low 2578.22 (2565.59)

### STANDARD AND POOR'S

| | Dec. 12 | Dec. 11 | Dec. 10 | Dec. 7 | 1990 HIGH | 1990 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 330.19 | 326.42 | 328.89 | 327.75 | 368.95 (16/7) | 295.46 (11/10) | 368.95 (16/7/90) | 4.40 (1/6/32) |
| Industrials | 386.28 | 381.98 | 384.88 | 383.70 | 437.37 (16/7) | 346.86 (11/10) | 437.37 (16/7/90) | 3.62 (21/6/32) |
| Financial | 23.66 | 23.32 | 23.55 | 23.41 | 31.87 (3/1) | 18.80 (29/10) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 180.25 | 178.42 | 179.58 | 179.07 | 201.13 (16/7) | 162.20 (11/10) | 201.13 (16/7/90) | 4.46 (25/4/42) |
| Amex Mkt. Value | 307.71 | 306.11 | 306.61 | 306.45 | 382.45 (5/1) | 288.07 (30/10) | 397.03 (10/10/89) | 29.31 (9/12/72) |
| NASDAQ Composite | 370.42 | 367.99 | 371.47 | 371.54 | 469.60 (16/7) | 325.44 (16/10) | 485.73 (9/10/89) | 54.87 (31/10/72) |

| | Dec. 7 | Nov 30 | Nov.23 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.98 | 4.01 | 4.06 | 3.90 |

| | Dec. 5 | Nov.28 | Nov.21 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 3.31 | 3.42 | 3.44 | 2.92 |
| S & P Indl. P/E ratio | 15.89 | 15.37 | 15.29 | 14.82 |

### NEW YORK ACTIVE STOCKS

| Wednesday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Oxy Pete | 3,366,300 | 20¼ | - 1⅜ |
| Ford Motor | 2,545,600 | 26⅛ | - 1½ |
| Hilton | 2,520,700 | 42⅛ | + 6⅝ |
| Philip Morris | 2,508,500 | 51½ | + ¼ |
| Toys R US | 2,279,200 | 24⅝ | + ⅞ |
| AT & T | 2,230,600 | 30⅜ | + ⅞ |
| Gen. Motors | 2,037,800 | 35⅛ | - ⅛ |
| Pepsico | 1,876,400 | 26½ | + ⅛ |
| GTE Corp. | 1,858,700 | 29⅞ | + ⅜ |
| Wal-Mart | 1,842,000 | 30⅜ | + ½ |

### TRADING ACTIVITY

| † Volume (Millions) | Dec. 12 | Dec. 11 | Dec. 10 |
|---|---|---|---|
| New York | 182.270 | 145.330 | 138.650 |
| Amex | 10.856 | 10.592 | 7.708 |
| NASDAQ | 122.296 | 128.699 | 111.251 |
| Issues Traded | 2,035 | 2,024 | 2,043 |
| Rises | 957 | 564 | 781 |
| Falls | 589 | 981 | 775 |
| Unchanged | 489 | 479 | 487 |
| New Highs | 34 | 20 | 17 |
| New Lows | 50 | 50 | 39 |

### CANADA

| TORONTO | Dec. 12 | Dec. 11 | Dec. 10 | Dec. 7 | 1990 HIGH | 1990 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2803.41 | 2766.69 | 2754.03 | 2756.89 | 3453.05 (4/1) | 2486.60 (8/11) |
| Composite | 3252.54 | 3239.25 | 3236.85 | 3233.56 | 4009.47 (3/1) | 3009.91 (14/10) |
| MONTREAL Portfolio | 1743.79 | 1731.63 | 1731.23 | 1727.70 | 2060.90 (3/1) | 1607.24 (16/10) |

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday December 8: Taiwan Weighted Price: 4745.46 ...

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX ... Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed ...

### TOKYO - Most Active Stocks

Thursday 13 December 1990

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Nippon Steel | 53.8m | 460 | +22 |
| S'tomo Metal | 25.1m | 475 | +29 |
| M'sui Shpbldg | 24.9m | 581 | +28 |
| NKK | 23.4m | 428 | +23 |
| M'bishi Heavy | 21.5m | 730 | +20 |
| K'saki Steel | 18.6m | 454 | +24 |
| Kobe Steel | 13.4m | 509 | +18 |
| Marubeni | 10.1m | 724 | +11 |
| I'jima-Hara | 9.0m | 745 | +18 |
| Nisshin Steel | 8.1m | 615 | +38 |

*3pm prices December 13*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | - A - A - A - | | | | | | | | |
| 36¾ | 9½ | AAR | .48 | 4.8 | | 86403 | 10¼ | 9⅞ | 10 | -2⅞ |
| 9¼ | 7⅞ | ACM n | 1.01 | 11. | | 187 | 8⅞ | 8⅝ | 8⅞ | |
| 11⅝ | 9⅞ | ACMIn | 1.26 | 12. | | 1363 | 10⅝ | 10¼ | 10¼ | |
| 9¼ | 6½ | ACM M | n1.01 | 13. | | 1169 | 7⅞ | 7½ | 7⅝ | |
| 12⅛ | 10 | ACMMM | 1.50 | 13. | | 370 | 11¾ | 11½ | 11½ | - ⅛ |
| 11½ | 8⅞ | ACM Sc | 1.26 | 13. | | 1032 | 9⅝ | 9¼ | 9¼ | |
| 9⅝ | 7¼ | ACMSp | 1.01 | 12. | | 199 | 8⅞ | 8½ | 8½ | |
| 24⅝ | 18⅞ | AL Lab | .16 | .7 | 20 | 136 | 24⅛ | 23⅞ | 24 | |
| 4⅝ | 1 | AM Intl | | | | 2877 | 1⅛ | 1⅛ | 1⅛ | |
| 19⅞ | 4⅞ | AM In pf | 2 | 29. | | 64 | 7⅞ | 7 | 7 | - ½ |
| 70¼ | 39⅞ | AMR | | | 15 | 1785 | 52¼ | 51⅞ | 51⅞ | - ⅝ |
| 4 | 1⅞ | ARX | | | | 45 | 1⅛ | 1⅝ | 1⅞ | + ⅛ |
| 72¼ | 38¼ | ASA | 3 | 7.4 | | 331 | 40⅝ | 40¼ | 40⅝ | + ⅜ |
| 3½ | 2⅛ | ATTC wt | | | | 310 | 2⅛ | d 2 | 2 | - ⅛ |
| 45⅝ | 31¼ | AbtLab s | .84 | 1.8 | 21 | 3619 | u46⅞ | 45 | 45½ | |
| 14 | 10⅞ | AbtWbl g | .50 | | | 13 | 11 | 10⅞ | 10⅞ | |
| 11⅝ | 4⅞ | AcmeC | .40 | 8.2 | 11 | 24 | 5 | 4⅞ | 4⅞ | |
| 9⅝ | 5 | AcmeE | .32 | 5.8 | 9 | 5 | 5½ | 5½ | 5½ | - ⅛ |
| 32¼ | 18⅞ | Acuson s | | | 22 | 738 | 27⅛ | 26⅞ | 27⅛ | + ⅞ |
| 16⅞ | 14⅛ | AdaEx | 1.72e | 12. | | 38 | 14⅞ | 14⅛ | 14⅛ | - ⅛ |
| 15⅛ | 9⅞ | Adobe | | | | 15 | 9⅞ | d 9⅛ | 9⅛ | - ⅛ |
| 20¼ | 16 | Adob pf | 1.84 | 11. | | 28 | 17⅛ | 16⅞ | 17 | - ¼ |
| 21⅝ | 19¼ | Adob pf | 2.40 | 12. | | 15 | 19¾ | 19⅝ | 19⅝ | - ⅛ |
| 11⅝ | 3⅞ | AMD | | | | 2131 | 4⅞ | 4⅛ | 4⅛ | - ⅛ |
| 32⅞ | 13 | AMD pf | 3 | 19. | | 28 | 16 | 16¼ | 16¼ | + ⅛ |
| 9 | 1⅝ | Advest | .16 | 7.6 | | 199 | 2⅛ | 2⅛ | 2⅛ | - ⅛ |
| 51 | 29 | AetnLf | 2.76 | 7.0 | 9 | 1509 | 39⅝ | 39⅛ | 39⅞ | + ⅛ |
| 12⅛ | 6¼ | AlIPro | .24 | 3.0 | | 699 | 8 | 7⅞ | 7⅞ | |
| 22½ | 10⅝ | Ahmans | .88 | 6.4 | 6 | 2022 | 13¾ | 13½ | 13¾ | - ⅛ |
| 61 | 42⅞ | AirPrd | 1.44 | 2.7 | 13 | 630 | 54⅞ | 54¼ | 54¼ | - ¼ |
| 27 | 13½ | AirFrt s | .30 | 1.6 | 9 | 140 | 18½ | 18⅛ | 18⅛ | - ⅛ |
| [illegible] | | | | | | | | | | |

Continued on Page 43

# NYSE COMPOSITE PRICES

Continued from previous Page

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 11¾ | 10⅛ | RAC In | 1.26 | 12. | | 391 | 10¾ | 10⅝ | 10⅝ | -⅛ |
| 5¾ | 2 | RAC | .65e | 12. | 6 | 218 | 5¾ | 5 | 5¼ | +⅛ |
| 22 | 17¼ | RJR pf | | | | 3540 | 21¾ | 21 | 21¼ | +⅛ |
| 7¾ | 3¾ | RJR Nb wt | | | | 90 | 6¼ | 6 | 6 | |
| 14¾ | 8¼ | RLI Cp | .44 | 3.4 | 6 | 88 | 13⅛ | 13 | 13 | -⅛ |
| 13 | 3¾ | RMI Ti | .10 | 2.0 | | 1037 | 5 | 4¾ | 5 | +¼ |
| 17⅞ | 5⅞ | ROC Fd | .22e | 2.7 | | 79 | 8⅛ | 8 | 8⅛ | +⅛ |
| 6¼ | 4½ | RPS | .83e | 16. | 6 | 167 | 5⅞ | 5¼ | 5¼ | -¼ |
| 41⅝ | 30 | RTZ n | 1.68e | 4.8 | 9 | 10 | 35¼ | 35¼ | 35¼ | +¼ |
| 67⅞ | 42⅝ | Racal | .60e | 1.2 | 25 | 983 | 49 | 48 | 48⅞ | +1 |
| 108⅞ | 77¾ | RalsPur | 1.88 | 1.8 | 16 | 781 | 102¼ | 100¾ | 101¾ | +1 |
| [illegible] | | | | | | | | | | |
| 10 | 7⅞ | ZweigTl | .84 | 9.6 | | 990 | 8¾ | 8⅝ | 8¾ | +⅛ |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

3pm prices December 13

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

# NASDAQ NATIONAL MARKET

3pm prices December 13

| Stock | Div. | Sales 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

AMERICA

# Vista doubles in response to German bid

## Wall Street

A TWO-WAY PULL exerted by firmer than expected retail sales figures and higher oil prices left US equities little changed yesterday morning, *writes Patrick Harverson in New York.*

At 1.30pm, the Dow Jones Industrial Average was slightly easier, down 7.92 at 2614.36 in steady trading. The Standard & Poor's 500 moved in similar fashion, edging 0.55 lower to 329.64 at 1pm. Over the counter stocks, however, managed to stay in the black, the Nasdaq composite rising 0.31 to 370.73.

The November retail sales figures proved better than the market had hoped. The data showed that sales fell only 0.1 per cent last month (Wall Street had forecast a 1 per cent decline), suggesting that the slowdown in economic activity will not be as sharp, or as long-lasting, as some economists are predicting.

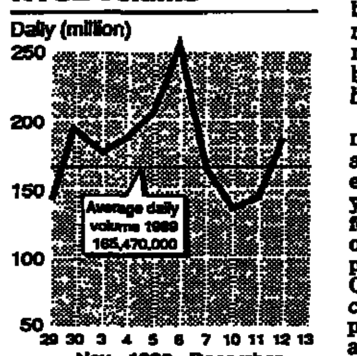
Sentiment, however, was not helped by a rise in oil prices. The price of a barrel of January crude was up $1.23 at $25.58 just after 1pm in New York.

The market's recovery from Gulf-related weakness in recent weeks has been helped by a series of large corporate bids, notably for MCA, the entertainment group, and NCR, the computer group. Yesterday there was another big acquisition in the shape of a $55-a-share offer for Vista Chemical by RWE-DEA, a German conglomerate.

Vista stock soared $28⅞ to $54 on news of the offer, which was accepted by the company's management. Turnover was a brisk 875,000 shares. The rest of the chemical sector improved on the back of the Vista bid terms, which the market regarded as highly generous. Quantum Chemical rose $1¼ to $15⅝, B F Goodrich climbed $⅝ to $39½ and Olin added $1⅛ at $39.

Hilton Hotels fell $3⅛ to $38⅝ on busy trading as some market players took the opportunity to realise gains earned on Wednesday after speculation of a bid for the group had pushed the stock sharply higher. There was no follow up yesterday to the talk of a Japanese-led consortium making an offer for Hilton.

**NYSE volume**




Toys R' Us, one of the most actively traded stocks of recent weeks, again topped the market's turnover table. The shares have been bought because of the retailer's dominant position in the US toy market, but have been sold because of fears of what might be poor Christmas sales.

The latter sentiment dominated yesterday, especially after Salomon Brothers cut its earnings estimate for both this year and next year. Toys R' Us fell $1 to $23⅝ on volume of over 1m shares. The other big player in the toy market, ChildWorld, which has been cutting prices and postponing paying bills to keep afloat, was also lower, down $⅛ at $2⅞.

Rollins Environmental Services fell $¼ to $8¼ in heavy trading after a number of analysts trimmed their profits' forecasts following news of an unscheduled maintenance shutdown at Rollins' incinerator in Texas. The shutdown is likely to last 10 to 11 days, but the company would not estimate the cost of the halt to operations.

CBS maintained its upward momentum on news of the planned buy-in of stock, rising another $3⅝ to $178⅝.

## Canada

TORONTO was virtually unchanged at midday after trading within a six-point range during the session.

The composite index rose 1.7 to 3,254.3 on volume of 13.23m shares. News that US Secretary of State James Baker had said that Iraq is not taking the peace process seriously was met by the market with scepticism. "There was even speculation that the whole thing might be called off," one trader said. "I have a hard time believing that."

ASIA PACIFIC

# Hopes of lower rates push bonds and Nikkei higher

## Tokyo

SHARE PRICES accelerated their upward trend yesterday, in sympathy with the continuing rally in the bond market and the sharp rise on Wall Street. The Nikkei average climbed 643.56, or 2.7 per cent, to 24,642.97, advancing for the seventh consecutive session and closing at the day's high, *writes Emiko Terazono in Tokyo.*

After opening at the session's low of 24,036.28, equities were mixed on morning profit-taking but moved up sharply on arbitrage-related buying in the afternoon.

Gains led declines by 761 to 221, with 140 issues unchanged. The Topix index of all first section stocks finished 34.48 higher at 1,813.98, but in London the ISE/Nikkei 50 index shed 4.02 to 1,375.86.

Volume again totalled 600m shares, traders noting considerable demand from investment trusts and a few buying orders from other financial institutions. Mr Shin Tokoi at County NatWest said trust banks and other institutional investors were putting in buying orders for large interest rate-sensitive issues. But he added that the rise in equity prices was too fast, and that some investors were waiting on the sidelines for a drop.

Bond yields fell on expectations of an interest rate cut in the near future, although Mr Yasushi Mieno, central bank governor, has insisted again this week that there would be no change in monetary policy.

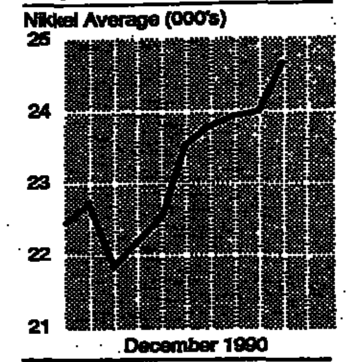
Among large-capital stocks, Nippon Steel rose for the seventh day in a row, gaining Y22 to Y469 and accounting for almost 9 per cent of total volume. Other steels were also strong, with Kobe Steel up Y18 to Y509 and Kawasaki Steel adding Y24 at Y454.

Mazda Motor forged ahead by its daily limit of Y100 to Y675. The company announced that it had developed a hydrogen engine, and was favoured by investors on the environmental theme.

Soviet-related shares continued their advance, with traders Marubeni up Y11 to Y724 and C.Itoh Y11 to Y735. Nissan Diesel, a truck and bus manufacturer, appreciated Y42 to Y670.

Honshu Paper, the popular speculative stock, put on Y90 to Y2,300. It had gyrated wildly last week on news that a Singapore investor, Mr Oei Hong Leong, had bought options worth 33 per cent of its outstanding shares. News reports identified the 35 investors who had sold the contracts to Mr Oei, and suggested the possibility of greenmail.

**Japan**




In Osaka, prices rose as smaller-sized issues attracted demand. The OSE average moved up 266.65 to 26,756.68 on volume of 81.8m shares. Chugai Ro, a furnace maker, was the most active stock and climbed Y40 to Y1,100. Nintendo gained Y100 to Y20,600.

## Roundup

INDIVIDUAL issues seemed more important than general sentiment in the Pacific Basin yesterday.

NEW ZEALAND was rocked by an 8 cents drop to NZ$1.01 for Brierley Investments, the investment and hotels concern which is one of New Zealand's biggest companies.

Brierley fell on selling by overseas investors, volume in the stock reaching an unusually heavy 2.8m shares. The Barclays index lost 23.47, or 1.9 per cent, to 1,204.87, a new six-year low. Turnover increased from NZ$5.9m to NZ$10.3m. Industrial Equity (Pacific), Brierley's international investment arm, slipped 10 cents to NZ$1.30.

AUSTRALIA eased on the country's rising unemployment, the All Ordinaries index closing 3.9 off at 1,319.7 on volume up from A$134m to A$139m. Adelaide Steamship caught another severe chill and dropped 15 cents to 35 cents, a 1990 low and down from A$6.20 seen at the start of the year. Adsteam announced a restructuring plan on Wednesday.

Against the trend, News Corp improved 16 cents to A$6.20, following the overnight rise on Wall Street and the easing of US interest rates.

MANILA saw the first big bout of profit-taking in oil shares after their rise on last week's oil find. Oriental Petroleum & Minerals fell 0.0125 peso to 0.06 peso and the oils index lost 0.899 to 10.219.

However, commercial and industrial issues took the strain and the composite index gained 11.89 to 687.87. Turnover expanded from 237.5m pesos to 293.1m.

SEOUL fell for the third consecutive session as the prime ministers of North and South Korea ended their third round of talks yesterday, apparently as far apart as when they started.

The composite index receded 11.89 to 712.82 amid turnover down from Won 242bn to Won176bn. Share prices began to recover from mid-afternoon as the stock market stabilisation fund and investment trusts stepped in as active buyers until the close.

SINGAPORE rallied but failed to stay above the 1,200 level on the Straits Times Industrial index – ahead 17 points at one stage before closing 10.46 up at 1,195.15 following profit-taking in the afternoon. Dealers said some of the buying looked artificial, suspecting year-end window dressing by fund managers.

HONG KONG worried about the ongoing war of words with China on the financing of its new airport complex, about rumours of a large rights offer and stories that Hongkong and Shanghai Banking plans to move its domicile. The bank declined 10 cents to HK$4.825 and the Hang Seng index by 10.67 to 3,150.12.

TAIWAN staged a minor technical rebound after Wednesday's 5.6 per cent drop, the weighted index rising 37.12 to 4,372.38.

## SOUTH AFRICA

GOLD shares eased further but other sectors were buoyed up by modest demand in a thin market. The all-gold index fell 27 to 1,141 but the industrial index lost only 7 to 2,995 after rising to 3,006 earlier. The all-share index slipped 9 to 2,688.

EUROPE

# Profit-taking hits bourses as volume rises

MANY BOURSES surrendered to profit-taking on improved volume, *writes Our Markets Staff.*

FRANKFURT breached the 1,520 resistance level on the DAX index with an intraday high of 1,534.75, but lost it on profit-taking. The DAX closed a mere 0.56 higher at 1,517.80 after a 3.25 rise to 655.21 in the FAZ at midsession. Volume rose to DM6.0bn from DM5.6bn.

Strategists liked the outcome of yesterday's Bundesbank meeting, including unchanged monetary growth and interest rates. "The 4-6 per cent money supply growth target allows the Bundesbank some flexibility," said Mr Matthias Weltcke of Merck Finck in Düsseldorf.

RWE fell DM15 to DM420 after announcing a proposed acquisition of Vista Chemical of the US. Some analysts did not understand why RWE wanted a deeper involvement in chemicals; why it should be willing to pay $57 a share for a company which recently stood at $26; and why it should stretch itself in this way when it is involved in massive East German electricity projects.

The laggard Bavarian banks, Bayernhpyo and Bayernverein, caught up a little with the sector as they rose DM6 to DM328, and DM4.50 to DM355.50 respectively.

PARIS gave up early gains. The CAC 40 index rose as high as 1,681.79 before closing 5.45 down at 1,659.4 in volume estimated at about FFr2bn.

About FFr219m was accounted for by a block trade of 3.2 per cent of the capital in the construction company SAE, reviving takeover speculation. The stock closed FFr30 higher at FFr1,210.

There were sharp declines in three heavyweight stocks in considerable volume. Peugeot lost FFr22 to FFr520 after its chairman, Mr Jacques Calvet, said that he was less optimistic about the company's 1990 results than in October, when he forecast net attributable profit approaching 1989's FFr10.3bn. Lafarge Coppée, the cement producer, fell FFr23.4 to FFr327 and Saint Gobain dropped FFr16 to FFr385.

MILAN met the market's expectations and rose on the first day of the January trading account on moderate demand for blue chips. News late yesterday that a bill abolishing jobbing floor traders and merging them into broader groups called SIMs had finally become law was thought likely to boost prices today though the law could still take another two years to become fully operational. The Comit index rose 13.47 to 547.28.

Acqua Marcia, a diversified real-estate and construction holding company, closed L30 or eight per cent higher at L370 after a brief suspension because of excessive gains, on persistent speculation that it was close to selling two subsidiaries. After the market closed, the company said that it was in talks with an unnamed French group to sell stakes in two of its subsidiaries, Bastogi and Galleria Colonna.

ZURICH saw CS Holding drop SFr60 to SFr1,565 following Wednesday's Swiss Federal Court ruling that the group must hold sufficient capital to back the assets of all group companies, implying the possibility of a substantial capital raising operation. The Crédit Suisse index rose 1.6 to 480.7.

MADRID finished mixed in active trading after a strong start on expectations that November inflation data would show a drop. But a 0.1 per cent fall on the month, bringing the year-on-year inflation rate to 6.7 per cent, failed to inspire further buying. There was heavy volume in the utilities sector with close to 5m Fenosa changing hands. The general index closed 0.2 higher at 241.37 in volume of Pta18bn after Pta10.4bn.

STOCKHOLM closed higher in moderate volume. The Affärsvärlden general index closed at 4.3 higher at 902.3 in turnover of SKr283m.

The forestry industry continued to feature and the sector index added 1.2 per cent. MoDo free B shares rose another SKr10 to SKr220 and SCA free B's reversed a recent drop to close SKr1 higher at SKr89.

AMSTERDAM came off the day's highs but still closed with a gain. The CBS Tendency index reached 98.1 soon after the opening but eased back to close at 97.6, up 0.2 on the day. Volume jumped to Fl 628.4m, which was more than double the slender daily volume of around Fl 310m which has been common since the Gulf crisis started.

The chemical sector continued to advance, with Akzo adding Fl 2 to Fl 78.20, its highest level of the day. DSM added Fl 1.50 to Fl 89.50. Rodamco, in which stunned the market late September by deciding not to buy in its shares any longer, added Fl 3 to Fl 56.10 on rumours that ABP, the civil servants pension fund, was interested in buying a stake. Both companies issued denials. Philips closed 40 cents higher at Fl 21.40 on hopes that it would resume paying an interim dividend by December 1991.

COPENHAGEN's continuing political uncertainty left the index only 0.95 higher at 322.90 yesterday. It had made a new low for the year on Wednesday, before that evening's indeterminate general election result.

OSLO took its cue from foreign markets and the all share index rose 7.20 to 461.52.

# Gulf fears curb European volume

**Antonia Sharpe** details the alarming slump in continental activity

NOVEMBER turned into a broker's nightmare as persistent uncertainty about developments in the Gulf kept investors firmly on the sidelines, resulting in a severe contraction in trading volume across Europe.

The slump in activity in continental equities has alarmed many banks and securities houses, which had counted on a rise in income from their expanding European divisions to offset a drop in revenue from their once-lucrative Japanese operations.

While there were signs of a small improvement in turnover towards the close of last month on hopes of a peaceful settlement on Kuwait and a subsequent softening in crude oil prices, levels were still ominously low compared to the same time last year, when sentiment had been soured by the mini-crash of October 1989.

Mr James Cornish of County NatWest, who compiles the monthly figures, says: "Investors are sitting on large quantities of cash and are unwilling to do anything until they know what will happen in the Gulf."

**EUROPEAN EQUITIES TURNOVER**
**Monthly total in local currencies (bn)**

| Bourse | Aug 1990 | Sep 1990 | Oct 1990 | Nov 1990 | US $bn |
|---|---|---|---|---|---|
| Belgium | 43.9 | 23.8 | 26.0 | 24.0 | 0.77 |
| France | 115.4 | 83.38 | 82.0 | 74.6 | 14.73 |
| Germany | 142.8 | 81.6 | 95.6 | 90.2 | 60.13 |
| Italy | 20,840 | 10,645 | 12,248 | 8,196 | 7.27 |
| Netherlands | 17.9 | 11.2 | 10.9 | 10.4 | 6.16 |
| Spain | 518.0 | 378.0 | 442.0 | 468.0 | 4.93 |
| Switzerland | 10.1 | 10.1 | 12.4 | 9.10 | 7.12 |
| UK | 29.8 | 21.1 | 28.7 | 25.0 | 48.45 |

*Volumes represent purchases and sales.*
*Italian data adjusted to include off-market trading. Some figures may be revised.*
*Source: County NatWest WoodMac.*

In Germany, for example, volume slipped from October's DM95.6bn to DM90.2bn in November, and was well below the year-ago level of DM110.9bn when euphoria about the breaking down of the Berlin Wall had not quite filtered through to bourse activity. The frenzied scramble for German equities took off the following month, when turnover jumped to DM157.1bn and peaked in January when it hit a record DM224.4bn.

The main casualty in November was Italy, which was afflicted by domestic ills. A new capital gains tax on profits from share dealings scared off domestic investors who were unwilling to declare their profits. Furthermore, the government's planned administration of the levy received a hostile reception from the stockbroking community, which felt that it would become an unpaid tax collector. This, and the government's delay in passing long-awaited stock market reforms, prompted a series of strikes by floor traders which crippled bourse activity and led to a flight of business to London.

Spain was the only European market which showed an improvement on the month, with turnover rising to Pta468bn in November from October's Pta442bn. Mr Stephen Hughes at Nikko Securities says domestic and international investors have been returning to the stock market, attracted by the cheapness of blue chips and better prospects for the domestic economy.

Switzerland continued to languish as disappointment over interest rates and a strong Swiss franc kept investors away. Bank Julius Bär said in its latest report that while the Swiss market had largely discounted a European recession in 1991, low unemployment figures and currency translation difficulties left little room for earnings per share improvements or lower interest rates. "The Swiss franc probably has to lose some of its lustre before international investors return to this forgotten market," the report said.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | WEDNESDAY DECEMBER 12 1990 | | | | | | | | TUESDAY DECEMBER 11 1990 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1990 High | 1990 Low | Year ago (approx) |
| Australia (75) | 121.63 | +0.4 | 92.78 | 101.37 | 93.49 | 105.45 | +0.3 | 7.39 | 121.14 | 92.60 | 101.12 | 93.21 | 105.11 | 158.31 | 118.98 | 146.63 |
| Austria (19) | 210.49 | −1.5 | 160.53 | 175.44 | 161.80 | 161.68 | −1.1 | 1.69 | 213.67 | 163.33 | 178.36 | 164.41 | 163.50 | 285.63 | 178.57 | 168.09 |
| Belgium (60) | 138.62 | −0.7 | 105.72 | 115.52 | 106.55 | 104.77 | −0.3 | 5.48 | 139.56 | 106.68 | 116.48 | 107.38 | 105.14 | 160.02 | 126.67 | 150.39 |
| Canada (120) | 129.78 | +0.3 | 98.96 | 108.15 | 99.74 | 109.00 | +0.4 | 3.68 | 129.38 | 98.90 | 107.99 | 99.55 | 108.58 | 153.61 | 121.24 | 153.07 |
| Denmark (33) | 242.53 | −0.8 | 184.96 | 202.14 | 186.43 | 187.61 | −0.5 | 1.80 | 244.38 | 186.81 | 203.99 | 188.04 | 188.54 | 277.62 | 234.05 | 235.02 |
| Finland (25) | 105.20 | −1.4 | 80.23 | 87.68 | 80.87 | 78.75 | −1.1 | 3.87 | 106.65 | 81.53 | 89.03 | 82.06 | 79.65 | 152.29 | 98.91 | 131.27 |
| France (122) | 144.00 | −0.1 | 109.82 | 120.01 | 110.68 | 113.45 | −0.1 | 3.67 | 144.09 | 110.15 | 120.27 | 110.86 | 113.58 | 168.85 | 124.98 | 149.33 |
| Germany (91) | 122.72 | +1.8 | 93.59 | 102.30 | 94.33 | 94.33 | +1.7 | 2.41 | 120.53 | 92.14 | 100.62 | 92.74 | 92.74 | 144.63 | 101.38 | 111.43 |
| Hong Kong (48) | 127.54 | +0.3 | 97.27 | 106.30 | 98.04 | 127.75 | +0.3 | 5.24 | 127.17 | 97.21 | 106.15 | 97.86 | 127.35 | 147.49 | 112.24 | 119.83 |
| Ireland (16) | 158.23 | +1.1 | 120.68 | 131.88 | 121.63 | 123.83 | +1.1 | 4.19 | 156.58 | 119.70 | 130.70 | 120.48 | 122.47 | 186.57 | 139.04 | 176.55 |
| Italy (91) | 82.14 | −0.2 | 62.64 | 68.46 | 63.14 | 68.40 | −0.2 | 3.60 | 82.27 | 62.89 | 68.67 | 63.30 | 68.52 | 109.26 | 75.73 | 93.10 |
| Japan (453) | 130.85 | +0.5 | 99.79 | 109.06 | 100.59 | 109.06 | +0.4 | 0.78 | 130.15 | 99.49 | 108.64 | 100.16 | 108.64 | 197.26 | 106.58 | 197.22 |
| Malaysia (35) | 204.66 | +0.0 | 156.08 | 170.56 | 157.31 | 212.38 | −0.1 | 3.18 | 204.65 | 156.44 | 170.82 | 157.46 | 212.49 | 250.89 | 182.96 | 218.56 |
| Mexico (12) | 604.01 | −0.4 | 460.64 | 503.41 | 464.28 | 1941.55 | −0.6 | 0.35 | 606.39 | 463.54 | 506.16 | 466.59 | 1953.20 | 613.96 | 324.53 | 299.45 |
| Netherland (41) | 134.75 | −0.2 | 102.77 | 112.31 | 103.58 | 102.56 | −0.3 | 5.24 | 135.00 | 103.20 | 112.69 | 103.88 | 102.84 | 149.03 | 127.56 | 139.47 |
| New Zealand (15) | 45.74 | −1.7 | 34.88 | 38.12 | 35.16 | 40.40 | −1.3 | 8.46 | 46.54 | 35.58 | 38.85 | 35.81 | 40.94 | 75.36 | 45.74 | 71.74 |
| Norway (27) | 210.13 | −2.0 | 160.25 | 175.13 | 161.52 | 165.35 | −1.9 | 1.87 | 214.49 | 163.96 | 179.04 | 165.04 | 168.57 | 276.79 | 202.34 | 192.07 |
| Singapore (25) | 161.98 | +0.5 | 123.53 | 135.00 | 124.51 | 127.87 | +0.5 | 3.45 | 161.17 | 123.20 | 134.53 | 124.01 | 127.23 | 209.24 | 147.24 | 175.53 |
| South Africa (60) | 179.57 | −1.1 | 136.95 | 149.66 | 138.03 | 135.59 | −0.4 | 4.09 | 181.52 | 138.76 | 151.51 | 139.67 | 136.10 | 251.39 | 151.50 | 187.02 |
| Spain (42) | 153.40 | +0.4 | 116.99 | 127.85 | 117.91 | 109.70 | +0.4 | 5.06 | 152.77 | 116.78 | 127.52 | 117.55 | 109.25 | 182.25 | 128.54 | 162.65 |
| Sweden (27) | 166.76 | −2.0 | 127.17 | 138.98 | 128.18 | 137.44 | −1.9 | 2.96 | 170.14 | 130.06 | 142.02 | 130.91 | 140.16 | 234.93 | 153.11 | 183.65 |
| Switzerland (68) | 92.36 | +0.5 | 70.44 | 76.98 | 71.00 | 72.41 | +0.3 | 2.91 | 91.94 | 70.28 | 76.75 | 70.75 | 72.19 | 109.77 | 85.00 | 91.14 |
| United Kingdom (298) | 167.83 | −0.2 | 127.99 | 139.86 | 128.99 | 127.99 | −0.4 | 5.46 | 168.11 | 128.51 | 140.31 | 129.34 | 128.51 | 176.19 | 139.87 | 154.65 |
| USA (533) | 133.37 | +1.1 | 101.71 | 111.16 | 102.52 | 133.37 | +1.1 | 3.71 | 131.90 | 100.83 | 110.10 | 101.50 | 131.90 | 148.95 | 119.06 | 142.95 |
| Europe (960) | 140.53 | +0.2 | 107.18 | 117.13 | 108.03 | 107.98 | +0.0 | 4.31 | 140.30 | 107.25 | 117.11 | 107.96 | 107.94 | 157.65 | 124.91 | 136.32 |
| Nordic (112) | 174.60 | −1.5 | 133.16 | 145.52 | 134.21 | 133.79 | −1.3 | 2.27 | 177.17 | 135.43 | 147.88 | 136.32 | 135.55 | 223.29 | 170.59 | 180.60 |
| Pacific Basin (651) | 130.03 | +0.5 | 99.17 | 108.37 | 99.95 | 109.17 | +0.4 | 1.17 | 129.36 | 98.88 | 107.96 | 99.54 | 108.76 | 192.75 | 107.82 | 192.28 |
| Euro–Pacific (1611) | 134.68 | +0.4 | 102.70 | 112.23 | 103.51 | 109.48 | +0.2 | 2.51 | 134.17 | 102.56 | 111.99 | 103.23 | 109.22 | 174.18 | 116.03 | 170.01 |
| North America (653) | 133.06 | +1.1 | 101.48 | 110.91 | 102.30 | 131.78 | +1.1 | 3.71 | 131.66 | 100.64 | 109.91 | 101.32 | 130.37 | 148.43 | 119.26 | 143.36 |
| Europe Ex. UK (662) | 123.47 | +0.4 | 94.16 | 102.92 | 94.93 | 96.14 | +0.4 | 3.47 | 122.96 | 93.99 | 102.66 | 94.63 | 95.78 | 145.62 | 109.94 | 124.05 |
| Pacific Ex. Japan (198) | 119.63 | +0.3 | 91.24 | 99.72 | 91.97 | 107.04 | +0.3 | 6.19 | 119.32 | 91.21 | 99.61 | 91.82 | 106.77 | 146.72 | 118.03 | 133.05 |
| World Ex. US (1803) | 135.21 | +0.3 | 103.12 | 112.70 | 103.94 | 110.18 | +0.2 | 2.56 | 134.75 | 103.00 | 112.48 | 103.66 | 109.93 | 173.77 | 117.12 | 169.67 |
| World Ex. UK (2038) | 130.16 | +0.7 | 99.27 | 108.48 | 100.06 | 116.33 | +0.7 | 2.64 | 129.25 | 98.80 | 107.89 | 99.46 | 115.58 | 162.00 | 115.37 | 159.46 |
| World Ex. So. Af. (2276) | 133.23 | +0.6 | 101.60 | 111.05 | 102.41 | 117.35 | +0.5 | 2.95 | 132.40 | 101.21 | 110.53 | 101.89 | 116.72 | 161.84 | 118.04 | 158.84 |
| World Ex. Japan (1883) | 136.20 | +0.6 | 103.87 | 113.53 | 104.71 | 121.92 | +0.6 | 4.04 | 135.33 | 103.45 | 112.98 | 104.15 | 121.19 | 151.59 | 124.91 | 140.89 |
| The World Index (2336) | 133.51 | +0.6 | 101.82 | 111.27 | 102.63 | 117.46 | +0.5 | 2.96 | 132.70 | 101.44 | 110.77 | 102.11 | 116.86 | 162.05 | 118.33 | 139.01 |



CONSTITUENT CHANGE (13/12/90): Deletion: Citroen Hispania (Spain). Latest prices were unavailable for this edition.

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FINANCIAL TIMES SURVEY

# SCOTLAND

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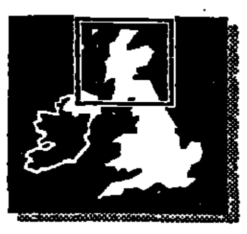
SECTION III

Friday December 14 1990



Conservatives hope that Mrs Thatcher's resignation will lead to a revival in the party's Scottish fortunes. But Mr Ian Lang, the new Scottish Secretary, is under pressure on the economic front and also faces demands for a Scottish parliament, writes **James Buxton**

## Tory sighs of relief

THERE HAS been a palpable lightening of the mood in Scotland since Mrs Margaret Thatcher resigned as prime minister last month.

The opponents of Thatcherism are delighted at the departure of an old adversary and even claim some credit for bringing about her downfall. Reticent sympathisers with the Conservatives no longer feel they have to conceal their allegiance to the party of Mrs Thatcher, and hope there could at last be a revival in its fortunes.

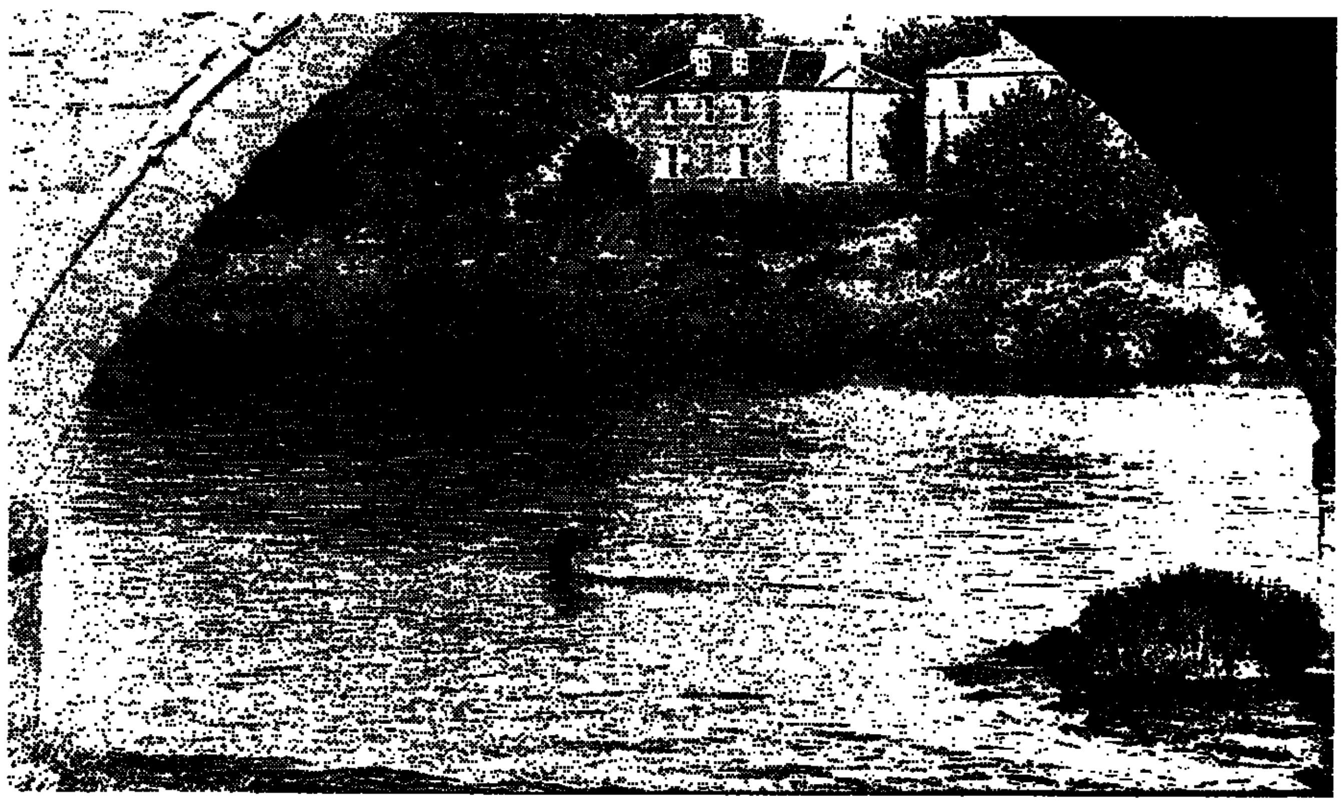
One beneficiary of the new mood should be Mr Ian Lang, whom Mr John Major appointed to be Secretary of State for Scotland, replacing Mr Malcolm Rifkind who became Transport Secretary. The delight evident on Mr Lang's face ever since he took office probably reflects not only his satisfaction at scaling one of the pinnacles of Scottish life, but also the easing of the political situation in Scotland.

Whereas Mrs Thatcher aroused a wide gamut of emotions in England, the commonest feeling towards her among the Scots was one of dislike verging on detestation. In theory, Scots might have warmed to her because of her ascent from humble origins, her approval of thrift and her wish *for efficiency*. But as the years of her rule multiplied, they increasingly found her overbearing and saw her as an example of the worst kind of English arrogance, feelings fuelled by suspicion of a powerful woman in a male-dominated society.

Scottish antagonism to Mrs Thatcher was intensified by her apparently uncaring attitude to the industrial closures and high unemployment which marked the early part of her term in office. When her reaction to the loss of more than half the Conservatives' Scottish seats in the 1987 general election was to introduce even more Thatcherite policies, some people's feelings turned to hatred.

There is little doubt that she helped fuel an already growing revival of a sense of Scotland's separate identity and that she generated anti-English sentiment. Although there have long been underlying desires among many Scots for independence or for a separate Scottish parliament, she made them stronger.

Ian Lang: blunts opponents' assaults with charm



Salmon fishing on the River Tay at Perth

Much of this hatred was irrational: Professor Ross Harper, who for a time was president of the Scottish Conservative Association, used to tell how he was talking with a hospital matron when she tried to make a telephone call. Finding the instrument out of order, she said: "That's Thatcher's fault."

More seriously the anti-Thatcher sentiment made Scots discount or disbelieve the positive changes which took place under her government. Living standards have risen impressively for most Scots, who borrow less than the English and now have one of the highest levels of disposable income in Britain. They are now more likely than they were a decade ago to set up their own businesses and own their own homes.

Formerly grimy places such as Glasgow are now acclaimed throughout Britain for their quality of life (at least in some parts) and their cultural achievements – both due in some measure to government funding.

The departure from the scene of Mrs Thatcher could make people in Scotland look at what is happening in their country more dispassionately. Politicians from the opposition parties may now have to state more clearly what they are for rather than what they are against. Professor Christopher Smout, the Scottish economic historian, has said that the Scots made Mrs Thatcher into their scapegoat, an external explanation for their failures. That alibi may no longer be available.

Although the Scottish Conservatives denied it in public, they admitted in private that Mrs Thatcher had long been a grave liability to them. It was said by some that Mr Rifkind's Scottish Office team was a like an aircraft "flying on auto-pilot following a set of way-points fed in by Downing Street."

There was some truth in that, although it devalued Mr Rifkind's genuine attempts to wean the Scots stealthily out of their habits of dependency, such as his initiatives in housing. He was more subtle than Mr Michael Forsyth, his junior minister, an ardent Thatcherite who successfully shook up Scottish education and tackled the health service unions but was a disastrous chairman of the Scottish Conservative party.

Now it is Mr Lang who can for the moment savour the Conservatives' revived popularity, as evidenced in the opinion polls and by the only marginal fall in their share of the vote in the recent Paisley by-elections. The Scottish Conservatives have begun to distance themselves from the Thatcher era. Shortly after taking office Mr Lang admitted: "In the past some areas of policy have not come under the open and relaxed scrutiny necessary."

However, there may be a limit to how much the Conservatives can discreetly use Mrs Thatcher as a scapegoat for the more unfortunate of their policies. Mr Lang, who had an unexciting career as Scottish Office minister of state under Mr Rifkind, now has to deal with the consequences of several policy initiatives with which he was closely involved.

The pressure is likely to build up on the economic front. Although unemployment in Scotland was still falling in October, the economy is set on a course likely to lead to recession, ending a period of expansion that was much briefer than that in England. The Conservatives have still not fully weaned Scotland off the notion that government can prevent or cushion the shock of plant closures.

Nowhere is that more true than in the steel industry where British Steel is due to close the hot strip mill at its Ravenscraig plant at Motherwell next April with the loss of 770 jobs, while its nearby Clydesdale tube works is to shut early in the new year with the loss of 1,200 jobs. Having privatised British Steel, the government is in no position to intervene. But Mr Rifkind commissioned via the Scottish Development Agency a consultants' report on the future prospects for the Scottish steel industry whose preliminary conclusions will shortly be landing on Mr Lang's desk and provoking calls for action.

Consumption in Scotland of steel from Ravenscraig is a tiny proportion of its output but the ramifications of the ending of steelmaking in Scotland (which now looks likely within about four years) would be much more serious than that of most other industrial plants. It would harm businesses such as the railways and damage the economy of the whole of north Lanarkshire, where the consideration of a contingency plan for the ending of the steelmaking was until very recently regarded as defeatist.

The consequences of the rundown of the steel industry will be one of the first issues facing Scottish Enterprise, the unwieldly-looking organisation which the government is creating by merging the Scottish Development Agency with the Training Agency. The new body, which will handle both economic development and training, will operate through a set of local enterprise companies directed by boards led by private sector people.

Tremendous disruption and no little personal grief have heralded the arrival of Scottish Enterprise which is intended to provide a better trained labour force for the 1990s as well as subtly to privatise much of the SDA, never greatly liked by the Conservatives. But the government is having to cut in real terms next year's funding allocation to Scottish Enterprise because of the general tightness on spending and the need to allocate more money to local authorities to keep down next year's community charge, and this will disillusion the businessmen enlisted to direct the local enterprise companies.

The review of the community charge now planned by the government will be, if anything, more awkward in Scotland than in England. The poll tax was introduced in Scotland a year earlier than in England and ministers such as Mr Lang, as well as Mr Rifkind, gave years of their lives to justifying it. Councils in Scotland, the majority of which are Labour-controlled, were much slower than their counterparts in England in beginning to chase up non-payers, so that several now face financial difficulties because of non-payment. Indeed, the most recent poll tax demonstration in Scotland was mounted by Conservatives against non-payment.

Finally Mr Lang, whose ability to blunt with charm the assaults of his opponents is legendary, will have to confront the Scottish Constitutional Convention, a body supported by Labour and the Liberal Democrats which, after a year and half of deliberations, has now completed its blueprint for a Scottish parliament which would have considerable powers, including the right to raise its own supplementary income tax. Labour is committed to legislating for a Scottish parliament within a year of coming to office.

The opinion polls consistently show that 45 per cent of the people of Scotland want a separate parliament and 35 per cent want outright independence in the European Community. What is less clear is how strongly those views are held. But many Scots now assume that in some form a Scottish assembly will arrive in the next few years. If Labour does not win the next general election and the Conservatives still do badly, they may have to look again at an idea they have been strenuously rejecting for the past decade.

### IN THIS SURVEY



Photographer: *Ashley Ashwood*
Design: *Robin Coles, Richard Schofield*
Graphics: *Bob Hutchison, Graham Lever*
Editorial production: *Gabriel Bowman*

EUROPEAN INTEGRATION

## Momentum for change

THE DRAMATIC irruption of the European issue into Westminster politics in recent weeks has been viewed with wry amusement in Scotland, where a fierce debate has been raging for some time about how best to respond to growing unification of the EC.

This has mainly been in response to the Scottish National Party's adoption of a policy of pursuing "independence within Europe". What exactly that means is still a matter for disagreement within the SNP itself, but there is no doubt that the slogan has helped the nationalists to shake off the "separatist" label with which they have long been tagged.

Opponents say current policies emanating from Brussels scarcely square with SNP aims of preserving the Scottish steel industry at Ravenscraig, preventing foreign takeovers of Scottish companies and securing more North Sea fishing rights.

The nationalists argue that such objectives can best be secured by an independent nation, which could take its full place in the councils of Europe.

The Labour party points out that the EC would be most unlikely to welcome the break-up of the UK, given the regional and separatist tensions within other member states such as Spain and Italy.

However, Labour also believes its promised Scottish parliament would forge direct links with Brussels, building on the example of the German *Länder*. The party is moving towards endorsing a Europe of the regions, under which the power of the centre would be counterbalanced by devolving control to regional and old national centres.

There is general consensus about the importance of Europe to the Scottish economy. Mr Hamish Morrison, of the Scottish Council Development and Industry, says that 60 per cent of Scotland's manufactured exports now goes to EC countries, compared with only 20 per cent 15 years ago.

Scots have long been used to being part of a bigger entity, according to Mr Morrison, and have become adept at playing that sort of game. Accordingly, they have a different attitude of mind towards loss of sovereignty: "A lot of people in the south-east of England get their livelihood from the fact that it is a big centre. It is not surprising that people there worry about London's loss of sovereignty."

That is not to suggest that Scots are indifferent about Britain's fate in Europe. Mr Morrison says: "There is absolute horror here at the idea that Scotland might become semi-detached in Europe. For Scotland, that would leave us up a blind alley."

**Beneath the widespread enthusiasm, there is unease about the dangers of being left on the periphery of the single market**

Mr Douglas Harrison, head of research at the Scottish Trades Union Congress, says of the unified market: "Scottish companies which are currently exporting to Europe will do very well. Companies which do not are going to have a very hard time."

Strathclyde Regional Council has long been Britain's most successful local authority at obtaining funds from Brussels. Ten years ago it appointed a full-time representative and in that period the amount the council has been granted by the European social and development funds has risen from £8.2m in 1980 to £75m in 1989.

Mr Charles Gray, leader of the Strathclyde council, says he has always found Brussels an easy place in which to meet and do business with politicians and officials – a view shared by the STUC.

A positive view of increasing European integration is also taken by Mr James Provan, a former Tory MEP, who heads Scottish Financial Enterprise, the lobby representing the industry which employs 10 per cent of the Scottish workforce and accounts for 15 per cent of the GDP.

Mr Provan is bullish about the implications of joining the Exchange Rate Mechanism and beyond that full monetary union, which he says would lead American and other overseas investors to increase the European weighting of their portfolios.

He says Scottish financial institutions would be well placed to cash in on their long-established reputation for probity and be able to take a long-term view of investment opportunities, well away from the hothouse atmosphere and frenzied trading of the City of London.

Beneath this widespread enthusiasm for Europe there lurks considerable unease about the dangers of being left out on the periphery of the single market. Scotland's road links to the south are generally held to be inadequate and there is little enthusiasm for a national rail policy which has so far proved incapable of providing a high-speed rail link between the Channel Tunnel and London, far less points north. All sections of business also agree that Scotland needs improved direct air links with the Continent.

One voice that has contributed very little to the debate about Scotland's role in Europe is that of the Conservative party, which controls the Scottish Office in spite of having only 10 out of Scotland's 72 MPs. The Tories have confined themselves to attacking the cost of Labour's plans for a Scottish parliament and deploring the SNP's plans to break up the UK.

The Confederation of British Industry in Scotland has also made little contribution to the public debate, even though the Scottish Constitutional Convention, backed by the Labour party, Liberal Democrats and Greens, has proposed that a Scottish parliament should have extensive revenue-raising powers and interventionist powers over industry.

The lack of comment from the Tories and the CBI seems to based on the assumption that all this talk of a Scottish parliament taking its place in Europe will come to naught. They might be right: the Labour Party certainly faces considerable obstacles – not just in winning a majority at the next election, but then in securing the backing for a Scottish parliament from their own MPs in the north of England.

Nonetheless, the momentum for radical change in the Scottish political system seems to be unstoppable – and has been increased by the prospect of a more united Europe. Over 80 per cent of Scots now tell opinion pollsters that they support either devolution or outright independence, with only 15 per cent supporting the status quo.

The one move that could transform the Scottish – and perhaps the British – political landscape would be if the Tories were to play the devolution card again. After all, Mr Ian Lang, the new Scottish Secretary, was a devolutionist in the 1970s – as was his predecessor, Mr Malcolm Rifkind.

The price that the Tories would exact for granting an assembly would be a reduction in the number of Scottish seats in the House of Commons – a move which might mortally wound Labour's chances of ever achieving an overall majority at Westminster. The difference between now and the late 1970s is that there are many in the Labour Party in Scotland who would be prepared to pay that high price to secure a Scottish parliament, which could form direct links with Brussels.

It is more likely that the Tories will try to ignore the flowing tide of opinion in Scotland in the hope that it will ebb. They may be right: but if not, the Scottish storm when it breaks could rock Westminster just as much as last month's excitement over Europe.

**Andrew Bolger**

Changes of the past decade have left a more balanced economy, as

# Downturn spreads over the border

A BRIEF, relatively happy period for the Scottish economy is drawing to an end. Although unemployment in Scotland, now 7.9 per cent, is still falling, the recession affecting the southern half of Britain will soon, it is expected, spread to Scotland.

That is very disappointing. The economy in Scotland began to expand only in late 1987, more than a year later than that of southern Britain. Now, although it is also slowing down later than the south, it is still having to suffer as a result of measures taken to deal with an overheating in the south which never reached Scotland.

Scotland began to enjoy the economic upturn later than places further south mainly because the oil price collapse in late 1985 and in 1986 had a severe effect on the offshore supply industry based around Aberdeen. The impact was felt by manufacturers in the central belt of Scotland who supplied offshore-related equipment.

When the upturn came, it was less powerful than further south. It was only in the first quarter of this year that the growth rate of manufacturing output in Scotland outstripped that of the UK as a whole, the first time for five years; and the trend, which some people believe was illusory, was not repeated in the following quarter's figures.

The recent upturn was probably not led by manufacturing. Over the past 10 years the Scottish economy has changed remarkably as the older heavy industries such as shipbuilding and coalmining have virtually disappeared, along with a number of ill-located manufacturing plants directed to Scotland by past governments.

Much of the growth has come from newer industries such as the electronics plants of the US and Japanese multinationals, although some engineering companies, notably Weir Group, have also done well. The whisky industry has been flourishing in the past two years with several mothballed distilleries reopening.

But the strongest expansion has probably come from service industries with the financial services institutions of Edinburgh and Glasgow becoming an increasingly significant employer and the tourism industry expanding. There has been an upsurge in commercial property development, especially in Glasgow.

The increase in house prices began much later in Scotland than in the south, continued until a few months ago but never reached such ferocious proportions as elsewhere. Even with the effect of council house sales the level of owner-occupation in Scotland is only 50 per cent (having risen from 35 per cent since 1979) and Scottish houses are still much less expensive than those in the south.

Scots as a result have much smaller mortgages than people in England and have been more prudent in their consumer borrowing. Some enjoy pay rates fixed in national pay bargaining related to the cost of living and levels of borrowing of the south of England. For these reasons Scots have higher net disposable income than people in other parts of Britain.

Recession has not yet hit Scotland. The retail and wholesale sectors are still relatively buoyant as consumer spending continues healthily. But manufacturing is already suffering from the downturn in orders and construction is depressed. The commercial property upsurge is fading even in Glasgow and projects are being delayed or cancelled in places such as Dundee. These trends are inevitable because Scotland is so closely integrated into the UK economy.

The first big industrial setbacks are now hitting Scotland. In October Exxon Chemical said it was postponing a scheme to build a £235m ethylene plant in Fife because it expected slower world growth in chemicals.

**KEY FACTS**

Area .............. 33,639 square miles (32 per cent of UK)
Population .............................5.1m (8.9 per cent of UK)
Gross Domest Product ('88) £32.5bn (8 per cent of UK)
GDP per capita ......£6,387 (94 per cent of UK average)

SECTORS
Agriculture, forestry and fishing ............... 2.9 per cent
Energy and water supply ............................ 5 per cent
Manufacturing ........................................ 23.2 per cent
Construction ............................................6.9 per cent
Education and health ............................ 10.8 per cent
Transport .................................................8.2 per cent

AVERAGE EARNINGS (1988)
Males ........................................ £233.30 (UK £245.80)
Females ..................................... £152.20 (UK £164.20)

UNEMPLOYMENT (October 1990 seasonally adjusted)
Males ......................................... 147,000 (10.2 per cent)
Females ........................................50,900 (4.7 per cent)
Total .................197,900 (7.9 per cent) [UK: 6 per cent]

HOUSING
Average price (third quarter 1990) ............£57,851 (UK £66,433) Source: Halifax Building Society

EDUCATION
Pupil-teacher ratio (all schools) (1988) ...15.8 (UK 17.1)

British Steel is closing its tube mill at Clydesdale near Motherwell with the loss of 1,200 jobs, to add to the 770 which will go when it closes the hot strip mill at its Ravenscraig complex.

Howden, which makes tunnelling and power station equipment, recently closed its heavy manufacturing operations at Renfrew near Glasgow. Alongside these developments have come a stream of smaller job losses in engineering companies and the textile industry. These will be finding their way into the unemployment statistics in the coming months.

Mr Brian Ashcroft of the Fraser of Allander Institute, the Scottish economic forecasting body, says that companies are being driven back to their domestic Scottish market which is not big enough to make up for the decline in the much bigger English one.

Only in Aberdeen and its surrounding area is there optimism. A new wave of offshore developments has got under way in the past year and a half, exploiting the reduction in costs stemming from the shake-out. Unemployment in Aberdeen, which almost touched 10 per cent in 1987, is now down to 2.6 per cent and some companies are facing shortages of labour.

The upturn in the offshore oil industry benefits companies in engineering and other sectors in areas such as the central belt: a good example is Weir Group of Glasgow where orders from the oil industry for pumps are this year running two to three times ahead of projections.

All this reflects forces that were at work before the Gulf crisis broke and the oil price went up. If oil prices stay relatively high, companies could in due course invest part of the higher profits they have been making since August in further exploration and possibly bring forward some projects. However, they could be limited by capacity constraints.

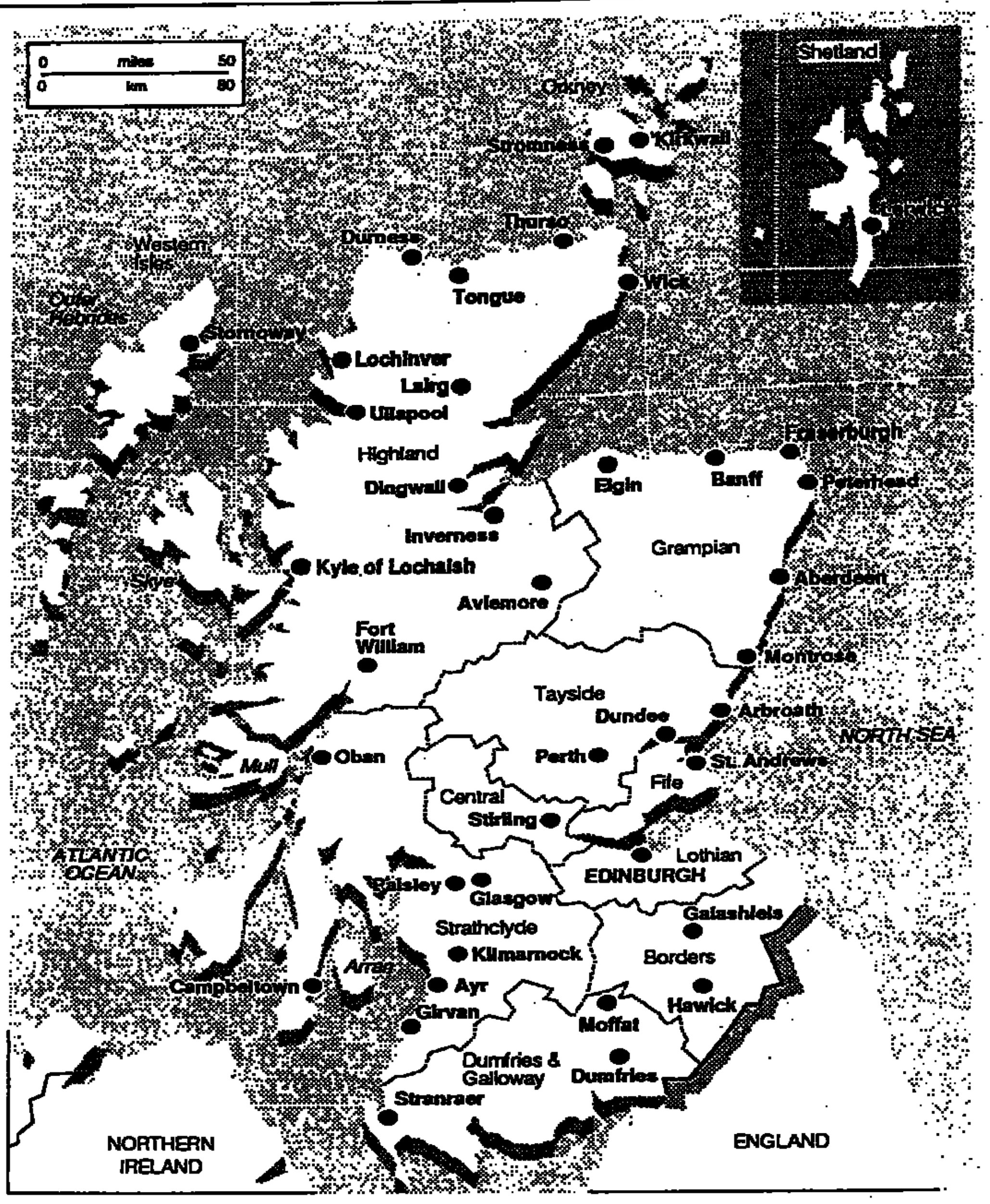
Dr Jim Love, of the Fraser of Allander Institute, believes that if oil prices stabilised at $25 a barrel or above, a new series of marginal oilfields would become viable, giving a further boost to the offshore supply industry. The resulting increase in activity could have a helpful effect for the rest of the Scottish economy, just as the consequences of the 1986 oil price slump were so dire.

It would be easier to accept the forthcoming downturn if Scotland were going into it from a stronger base. There is little doubt that the changes of the past decade have left a more balanced economy with a foothold in several industries with good potential, such as electronics, financial services and tourism.

But unemployment at just under 8 per cent, though lower than it has been since 1981, is still the third highest in Britain, after Northern Ireland and the north of England. Yet the Fraser of Allander's latest labour force survey showed that, although demand for labour is softening, companies are having to pay higher wages to meet the shortage of suitably qualified people, especially in the categories of technical and skilled manual workers.

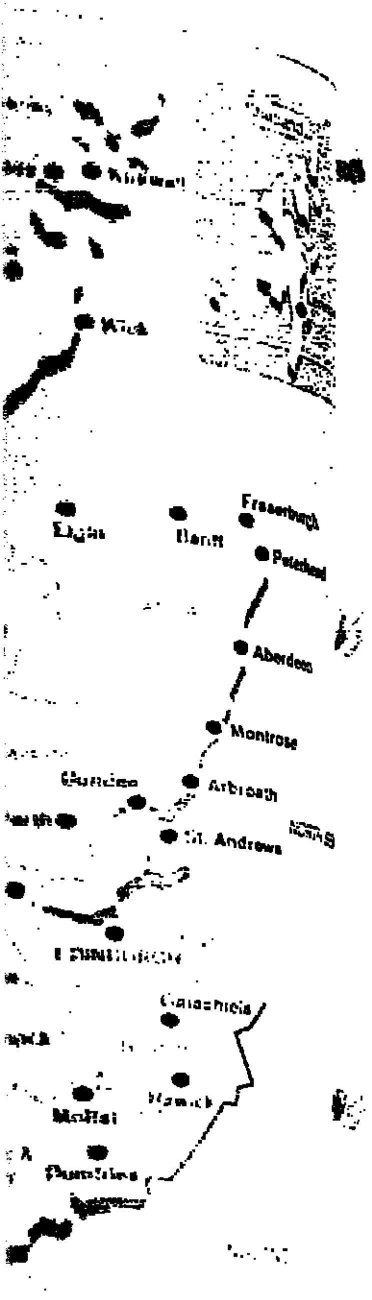
All that adds up to a very big challenge for Scottish Enterprise, the new organisation which is being formed out of a merger of the Scottish Development Agency and the Training Agency, and will operate through a series of local enterprise companies all over Scotland. The creation of a better labour force for the 1990s is its priority.

**James Buxton**





The assembly and initial system test station at Sun Microsystems, Linlithgow



**James Buxton** looks at an industry which is the principal economic activity in 90 per cent of the country

# Farmers' struggle gets tougher

FARMING IN Scotland has always been more of a struggle than in many other parts of Britain because of the often inhospitable terrain and the difficult climate. Now, with farm incomes being squeezed by the gradual reduction in price support, and the background of inflation and high interest rates, the struggle is becoming even tougher.

"Scottish farmers are facing the greatest changes since the war," says Mr Donald MacRae at Trustee Savings Bank (TSB) Scotland in Edinburgh. "There is a realisation that the link between government and the farming industry is now weaker than it has ever been and almost for the first time farmers are using words like 'competitive advantage', 'marketing' and 'image'."

Scottish farmers' output is worth about £1.5bn a year. Of that almost half comes from cattle and sheep. The remainder is made up of cereals, other arable crops such as potatoes, and other livestock farming such as dairy farming, pigs, poultry and fish farming.

Arable farmers are relatively cheerful at the moment after a harvest which saw some of the best yields of winter wheat, malting barley and oilseed rape since 1984, in a year when English cereal farmers were hit by drought. But beef producers are suffering from a fall in prices of about 10 per cent due to a decline in demand caused by the BSE scare; lamb prices have also fallen.

"A farmer with 100 head of cattle for fattening will find his income of £100,000 down by £5,000 to £10,000 because of lower prices," says Mr Henry Graham of the Clydesdale Bank. "Input prices are going up with inflation and the rise in the oil prices, which affects inputs such as diesel and fertiliser. Borrowing is expensive." Bank lending to Scottish farmers has been in decline since 1986.

Scottish farmers have seen little real growth in incomes since the mid-1970s. The reduction in farm price support began in 1986 and the Scottish farmers had already confronted crisis with the very bad harvest of 1985. Now Scottish agriculture is having to make difficult choices.

**"In the past, the farmer produced what he thought the consumer wanted. Now he is adapting output to what the market tells him it wants, especially the big supermarkets"**

As Mr Ian Ross, president of Scottish National Farmers Union, sees it, farming in Scotland requires a two-legged strategy. On the one hand, he points to a number of initiatives being taken by the SNFU to strengthen farmers in the healthy sectors of the industry. On the other hand, he talks of a number of schemes in existence or under consideration to help farmers in less promising sectors or areas of the country "so that we don't destroy the structure of the industry and risk the dilapidation of land and landscape."

Despite the problems of a volatile climate and distance from markets, Scotland has a comparative advantage in sectors such as beef and sheep, and in malting barley. It also has the good fortune that the prefix Scottish in front of the words beef, lamb and salmon signifies quality to the consumer. But these advantages are not fully exploited: the Scottish Development Agency has calculated that beef exports could be increased by £75m a year if the industry improved its quality control and presentation.

The SNFU is launching a series of initiatives to improve quality. "In the past the farmer produced what he *thought* the consumer wanted. Now he is adapting his output to what the market is actually telling him it wants, especially the big supermarkets," says Mr Graham.

The SNFU's initiatives are quality guarantee schemes whereby producers can put a quality label on their produce provided they meet rigorously applied standards on their farms. A pig scheme is up and running; the first products of a farm assured lamb scheme will come through to the market next August and a beef scheme is to be launched in the next nine months.

However although the SNFU differs from the NFU in London (of which it is independent) in pursuing this policy rather than focusing on subsidies, Mr Ross, who farms near Stranraer in south-west Scotland, appears more preoccupied with measures to help the weaker members of the farming community.

"The EC's stabilisation policy of reducing support when output rises doesn't work," he says. "The farmer needs income to pay the wages and buy the inputs, and his response to falling support is to produce more."

The SNFU's policy is to campaign for enhanced set-aside arrangements for arable farmers. Scotland already has a disproportionate amount of set-aside in relation to its share of the UK's farming area: nearly 20,000 of the 110,000 hectares that have been set aside in the UK since 1987-88 are in Scotland.

Mr Ross says that set-aside, largely confined to marginal land, should be made more attractive to embrace better land, and topped up with financial incentives to encourage the farmer to turn the unfarmed land to environmentally attractive use – a kind of "countryside premium" so that the cereal farmer comes to see it as an acceptable alternative to farming.

For livestock farmers Mr Ross and the SNFU see the solution in giving farmers financial support for "extensification" – operating smaller flocks or herds on the same acreage. A small government-run pilot scheme is operating on a few farms and the SNFU is urging the Scottish Office to get EC approval for a wider scheme with more generous payments.

"It's an attractive idea for farmers who want to gear their businesses downwards – farmers in their 50s or 60s who don't have the capital to retire on, but can't really afford to go on," says Mr Ross. "It would also be useful for a farmer who wanted to diversify into a tourist-based activity."

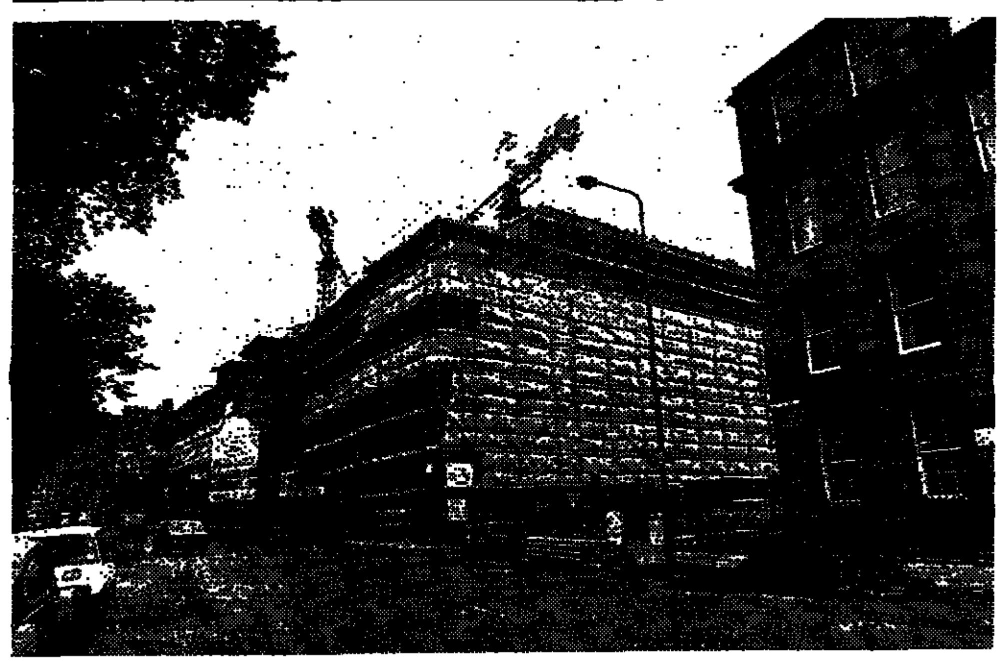
The SNFU argues that, as farming is the principal economic activity in 90 per cent of Scotland, it needs to be kept going in order to support basic rural services – transport, garages, shops, schools etc – which are needed to underpin the seasonal tourist industry to which more and more attention is being given.

Though the TSB's Mr MacRae believes in market solutions where possible, he says there is not a market solution for everything. The salvation for marginal farmers lies in their role as guardians of the environment, he says: "A subsidy would be paid on the farmer, not on his head of livestock."

As Scottish farmers consider the impact of a breakdown of world trade talks on farm subsidies and other trade issues, Mr Ross is asked whether he thinks Scotland's agricultural output will be larger or smaller in a decade's time. "Scottish farmers could hold on and see some of their EC competitors – the very small farmers – go out of business. But the political implications in Germany and France are such that I can't see that happening. The total European food market will not expand and we will lose some of it to countries outside Europe as a result of the world trade talks. So the conclusion is that output will be lower in real terms in a decade."

In other words, despite the initiatives for the stronger sectors, Scottish agriculture is a declining industry.

The Marine Harvest salmon farm on Loch Duich



The new financial centre under construction in Castle Terrace, Edinburgh

RELOCATION AND INWARD INVESTMENT

# Single-door approach

HUNDREDS OF senior British Petroleum staff and their families who recently moved from London to Glasgow appear to be a glowing advertisement for the benefits of relocating outside the crowded and expensive south-east of England.

A questionnaire found that almost all of them thought Scotland was very much better than they had been expecting – except for the climate.

Sir Robin Duthie of BP said his staff had been impressed by the ease of commuting and Glasgow's wealth of sporting and cultural activities, boosted this year by its role as Europe's cultural capital.

Although an apparent success, the BP story is not typical of relocation trends, because the oil company's motives were as much political as economic. The group's exploration division moved north after horse-trading which followed an outcry in Scotland caused by BP's takeover in 1988 of the Glasgow-based Britoil, the former state-controlled oil company.

More representative is the move of TSB Mortgages from Barnet in north London to Glasgow, creating 300 jobs. Financial companies have been tempted to relocate their "back-office", or data-processing, activities by the combination of Scotland's low rents with a ready supply of well-qualified staff.

The Scottish Development Agency says that a move from London to Glasgow would save a company £2m in rent on an office of 30,000 sq ft. Salary costs are 28 per cent lower and staff turnover rates in Glasgow are only 6 per cent a year, compared with an average of 23 per cent in the south-east and peaks of 35 per cent in London.

Indeed, the whole "quality of life" argument can be over-emphasised, according to Mr Edward Frizzell, director of Locate in Scotland, the inward investment arm of the SDA. He says: "It is one factor in a matrix, but far more important are questions of costs, supplies and access to markets."

Economic and property factors also explain the differing fortunes of Scottish cities in the relocation stakes. Glasgow has benefited from a ready supply of large, modern offices, but Edinburgh has suffered from the after-effects of a planning policy that until recently blocked such developments.

The revival of the oil industry has seen rents rise and the labour market tighten in the north-east of Scotland, so Aberdeen has scarcely figured in the race.

Mr Frizzell emphasises, however, that relocation within the UK will always be much less important than attracting investment to Scotland from overseas. He envisages about a dozen relocation cases a year, mainly in the financial sector. That compares with his agency's involvement last year in a total of 64 projects, bringing planned investment of some £853m and the intended creation or safeguarding of nearly 12,300 jobs.

**Many functions of the SDA successor will be devolved to local enterprise councils**

US companies were responsible for two-thirds of the inward investment in Scotland last year, which is the main reason that Locate in Scotland has four offices in North America, and single offices in London, Brussels, Tokyo, Hong Kong and Seoul.

One source of concern is that both relocation and the inward investment programmes will be affected next year by the SDA's transformation into Scottish Enterprise, which will see many of its functions devolved to local enterprise councils (LECs).

Mr Frizzell says this should not mean any structural change for Locate in Scotland, which will remain a core function of the new body and has been promised a similar scale of budget under the new system.

The director cites this as one reason that Locate in Scotland has not suffered the same sort of exodus of staff as other parts of the agency, although he concedes only time will tell how the relationship between the core functions of Scottish Enterprise and the LECs will work out.

Locate in Scotland was set up in 1981 to provide a "single door" for prospective investors in Scotland. Previously the situation had been very fragmented, with individual local authorities and new towns competing for investment.

Mr Frizzell is confident that the LECs will recognise the logic in keeping the attraction of investment at the centre, and not be tempted into competing for resources. In any case, individual LECs will be banned from seeking to attract inward investment, as were local authorities and new towns when Locate in Scotland was established.

"Ministers don't want to revert to fragmentation – the single-door approach has worked," Mr Frizzell says.

The other imponderable on the relocation front is the impact of recession. Obviously, if the pressure of high rents and scarce labour in the south-east starts to abate, so will the impetus for companies to move out.

Some academic research has also suggested that it can take a company up to six years to recoup all the costs of relocation, even in a cheaper environment. It seems likely that companies will be more prepared to take such a long-term view in a period of economic expansion, rather than retrenchment.

Mr Frizzell says: "We are keeping a close eye on the situation, but so far we have seen no reduction in interest."

**Andrew Bolger**

THE ENVIRONMENT

# Call for four national parks

TWELVE MONTHS ago, the planting of conifers in the Caithness and Sutherland peatlands and the rapid spread of fish farming in the lochs and around the coast were the lively environmental topics of the day in Scotland.

There were also worries about the possible extension of skiing in the Cairngorms into a sensitive area called Lurchers Gulley and about overgrazing by sheep and red deer as well as fears that Nirex, the nuclear agency, might pick a Scottish site as a national repository for nuclear waste.

But it was the problems with fauna and flora, those that broadly speaking come under the remit of the Nature Conservancy Council in Great Britain with its sites of special scientific interest (SSSIs), which tended to grab the headlines.

These concerns remain. Fish farming, though generally welcomed by the local population in the Highlands and Islands owing to the number of jobs it creates, is frowned upon by the environmentally-conscious because of the unsightly cages and buoys which clutter up and deface some of Scotland's most stunning lochs. There is also the question of the pollution of the seabed because of the chemical feed and the effluent falling through the cages to the bottom of the sea.

The industry has grown rapidly in the past decade and now produces 15,000 tons of farmed fish, employing hundreds of people. Due to oversupply largely from Norwegian salmon producers, however, growth has slowed. Not so many fish farms are setting up: thus, the alarm bells are not ringing so loudly on this score.

Conifer planting in peatland is also less contentious. The tax concessions which led wealthy people, including TV stars, to indulge in blanket conifer planting in sensitive areas, have been largely removed. The pressure on the 400,000 hectares of peatland in Caithness and Sutherland is correspondingly less. A more balanced forestry regime seems to be taking hold in Scotland.

These questions, however, have tended to be overshadowed in recent months by the publication of the Countryside Commission for Scotland's report called "The Mountain Areas of Scotland."

Just as the NCC is concerned with flora and fauna, and the geology of Scotland, the CCS, broadly speaking, looks after the physical landscape.

The central recommendation of its report – which considers land abuse, overuse, flaws in the system of land management and the fragility of the physical environment in some mountain areas – is that four national parks should be created in delicate areas which need protection. These would be the Cairngorms, Loch Lomond, Ben Nevis/Glen Coe/Black Mount and Wester Ross.

These should have administrative systems based either on independent planning boards or joint local authority committees. In other words, the boards which run the parks would have planning control. The report estimates that it would cost £8m to run the parks a year.

Though these proposals may have shifted the focus of the environmental debate, the underlying issues remain the same.

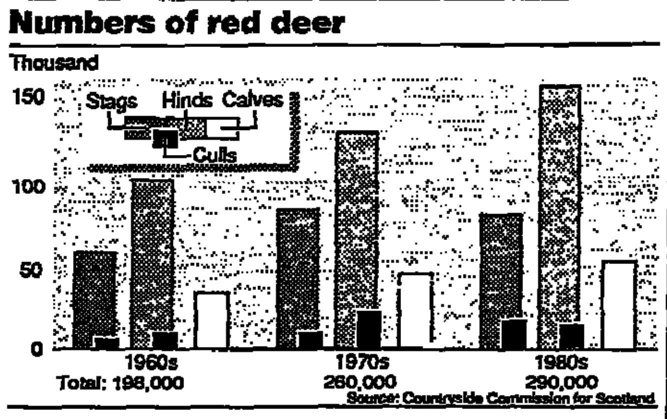
How do you protect and improve Scotland's rich heritage of landscape, seascape, flora and fauna, consistent with development, not just for the 350,000 people who live in remote Highlands and Islands areas and will presumably want to go on living there but also for the lowland Scots who want increasingly to take advantage of visiting their heritage? For example, Loch Lomond, an area of outstanding beauty, is close to Glasgow.

Half the land in Britain designated as SSSIs is in Scotland – some 750,000 hectares. The NCC looks after over 70 SSSIs and a number of national nature reserves. Some of these fall within national scenic areas which are the bailiwick of the CCS. Some 13 per cent of Scotland is designated as a national scenic area (22 per cent of the Highlands region).

Addressing this central issue of balancing conservation against development embraces a whole host of questions besides whether fish farming should be encouraged to help enhance local economies or whether conifers should be planted eventually to supply sleepers for railways.

Land use in Scotland has a complex background. The Jacobite rising of 1745 began the overthrow of the old social order in parts of the Highlands. New patterns of land holding, the spread of sheep farming, the clearances, emigration and the emergence of the Victorian sporting estate all generated deep emotions which reverberate in some parts of the Highlands to this day.

**Numbers of red deer**




There is an impression that Scotland's land is divided between huge sporting estates, often badly managed for absentee landlords, and small uneconomic tenanted crofts.

This simplistic view may hold true in some remote parts of the Highlands, but the Scottish Landowners Federation has 4,000 members who between them own over 7m acres. This represents approximately 80 per cent of all privately owned land in Scotland. Most large landowners belong to the federation but in numerical terms 35 per cent of ordinary members own 190 acres or less, while 64 per cent own up to approximately 350 acres.

These figures are for all of Scotland, not just the Highlands. The complicated system of land ownership and use can give rise to problems when environmental issues impinge.

On the one hand, there is the small landowner who wants to build a hotel, develop fishing rights or possibly even have a camp site. Or maybe a medium-size owner wants to develop a ski resort. The idea of thousands of tourists trooping into hitherto under-developed areas, with their litter and transistors makes conservationists shudder.

On the other hand is the private land owner of a sporting area, who wants to put in an estate road, which conservationists consider ugly.

There are some 300,000 red deer in Scotland. Most people think this is too many since it leads to overgrazing and land abuse. If private owners are to cull them, however, they need roads. How else do you haul a 13-stone hind down off a mountain? But building roads often causes controversy on its own private land.

In a recent, well-publicised case, a section of hill track less than 300 yards long was made by an estate worker with a pick and shovel on a private estate within the Glen Feshie Cairngorms National Nature Reserve. The track is not wide enough for a Land Rover.

The Glenfeshie Estate put in the road without consultation a year ago. Now the Highland Regional Council has refused retrospective planning permission. Thus a classic conservationist struggle is in prospect, which could take a long time to resolve. On one side is an English landlord, on the other a group of mountaineers and naturalists who are becoming increasingly vocal.

Seeing where the battle lines are drawn is complicated by the multiplicity of agencies and interest groups that are involved in conservation. The Forestry Commission looks after forestry. The Crown Estates owns the coastline and the seabed. The NCC at the moment is part of the British NCC which answers to the Ministry of the Environment. It looks after SSSIs and national nature reserves. The CCS answers to the Scottish Office and looks after the national scenic areas.

While the NCC and CCS can persuade, cajole, plead and threaten landowners within their specific areas, standing behind them are the regional and district councils which in most cases have planning control over land use.

Beyond all this is an obscure law of trespass, which makes the whole question of access complex. Scotland's law of trespass provides no penalty for the simple act of trespass itself. Damage or nuisance must first be proved and repeated trespass by the same person or persons can only be prevented by the owner or occupier applying to the courts for an interdict.

With this confusing mosaic, it is hardly surprising that it is difficult to discern who is on whose side. In the Glen Feshie estate track case for example, the CCS was apparently a main protester, while the NCC took the side of the estate.

The NCC is due to be hived off from the English and Welsh NCCs in April next year. A year after that in 1992 the NCC and CCS are due to be merged into one body called Scottish Natural Heritage. This streamlining should help clarify the issues, if nothing else.

In the meantime, the CCS is promoting and explaining its view that national parks are the best way forward in the environmental struggle. There was very broad consultation in drawing up the document and extensive discussion since it appeared a few months ago.

Everyone seems to agree that the analysis of the problems is first-class. But some groups have their reservations about the proposed solutions.

The Scottish Landowners Federation has its doubts about national parks because it fears that would lead to the setting up of more government quangos which would spend inordinate amounts on administration. The CCS does not think this would be the case.

Most objections centre on what has become known as the "honey pot" effect. Unlike England, Scotland does not have any national parks.

The honeypot effect argument has it that once you establish an area and call it a park, it immediately draws lots of people in who feel because it is a public place, they can behave as they like. Critics point to the Lake District and Dartmoor which become overrun during some months of the year. Defenders of the national parks say that the Lake District has been spoiled since the M6 opened the area up. Scotland is different and will retain its remoteness.

The debate still has some way to run. The NCC, for example, has yet to pronounce on the subject. But some decisions have been taken. Lurchers Gulley has not been given permission for ski developments.

**Stewart Dalby**



**James Buxton** looks at the country's transport infrastructure

# Missing links to Europe

WHEN MR Malcolm Rifkind, the former Scottish Secretary, was told by an interviewer a few weeks ago that Scotland's transport infrastructure was "shambolic," he was dismissive. "What we call traffic jams in Scotland are what they have in England at 1 o'clock in the morning. The idea that we have a poorer level of transport communications in Scotland is something only anyone who has never been south of the border could have."

There is something in what the man who has now become Transport Secretary said. If one drives between the towns of the central belt of Scotland or to Aberdeen or Inverness, one can usually predict to within a few minutes how long the journey will take along mostly uncongested roads, except for the Edinburgh end of the M8 Glasgow-Edinburgh motorway and growing traffic jams in both cities.

After a long period of breakdowns and delays, rail journeys in Scotland are beginning to improve as ScotRail introduces its new Class 158 Express diesel multiple unit trains on the main routes. There is a reasonable network of internal flights, including those of the islands.

Though road traffic in Scotland is probably growing faster than the improvement schemes under way can cope, Scottish unhappiness about transport mainly concerns links with England and Europe, as well as North America. Scotland is on the periphery of the EC and its connections with the heartland are generally poor.

While transport links between the cities in that heartland are improving, with the spread of high speed trains and the approaching completion of the Channel Tunnel, Scotland feels neglected. What should be done about improving links to a peripheral country with a fairly small population of 5m people and a relatively small market?

On the roads front the government is moving swiftly, but belatedly, to fill a glaring 62-mile gap in the European motorway network – the lack of a motorway between the M6 just south of the English border and the M74 south of Glasgow. The Conservatives promised to bring this stretch up to motorway standard in their 1987 manifesto and work on three stretches totalling 15 miles has now begun.

However, that does not satisfy critics such as the Confederation of British Industry in Scotland which was dismayed last year when the Scottish Office made proposals for the roads south of Edinburgh offering mainly piecemeal solutions, an upgrading of a small part of the A1 and the building of a privately-funded toll road named the Fastlink between the M8 and the M74.

The CBI argues that if the Fastlink is, as the government implies, strategic, then it should fund it itself. It also believes that since the Department of Transport now intends to raise the whole of the A1 to motorway standard, it should complete it to Edinburgh.

But the Scottish Office says that traffic along the Edinburgh-Newcastle stretch of the A1 does not justify raising the standard along its entire length. Meanwhile, it is studying private sector proposals and speaking to local authorities about the Fastlink. It is also close to deciding between three consortia as to which should build a bridge funded by tolls across the Kyle of Lochalsh to the island of Skye.

Yet, as the CBI wryly points out, even with improvements to the roads to England, one of the biggest bottlenecks affecting Scotland is the M25 around London and other parts of the south-east.

Although this problem also affects the road freight from Scotland that will be heading for the Channel Tunnel (opening in 1993) transport experts believe there will be little time saving in road freight from Scotland using the tunnel. The greatest potential is for rail freight where savings of between 22 and 40 hours would be possible in transit times between Glasgow and Cologne, according to a study by the consultants Pieda for the Scottish Development Agency.

The study concluded that rail would capture some of the roll-on – roll-off traffic from Scotland currently using the ports of Dover, Felixstowe and Harwich. British Rail has said it will operate daily freight services from Strathclyde which would form larger trains at Crewe and proceed to the continent via the tunnel. But it has yet to announce a site for its terminal in Strathclyde. "They seem to be leaving it rather late," says Mr James Young of the CBI in Glasgow.

Passenger services to the continent from Scotland via the tunnel are thought likely to have little impact. But they will benefit from the electrification of the Edinburgh-Kings Cross route which is due for completion next May, while train services on the already electrified west coast route to Glasgow are to be speeded up later in the decade.

This year Scotland made a small but significant break with the conservatism of its past when the government ended the monopoly on transatlantic flights from Scotland held by Prestwick airport, inconveniently located 35 miles south-west of Glasgow. It was forced by legal challenges and the pressure of economic logic to scrap the rules that reserved Prestwick for the tiny number of services still using it.

Unfortunately the decision, resisted almost to the last apparently for party political reasons by Mr Rifkind (a disturbing act amounting to economic Luddism by a future transport secretary) came too late to enable many airlines to exploit it this year. But there are now about 15 scheduled flights a week to the US from Glasgow, of which the jewel in the crown is American Airlines' daily service to Chicago.

Although British Airways' thrice-weekly service to New York, which began only in August, has been cut to twice a week for the winter, there are hopes that more services will get under way next year. BAA, which owns the airport, envisages it becoming a hub for passengers from other parts of the UK, but the excessively long preservation of Prestwick's monopoly has allowed Manchester to build up a substantial advantage in this field. Prestwick, meanwhile, has lost most of its charter services but still has a future as a freight-handling terminal for Scotland and an entrepot for the rest of Britain and for the continent.

The more pressing problem is that of developing more services between Scottish airports and the continent. Here the difficulty is that the Scottish travel market in the central belt is relatively small with 4m people and is divided between two airports, Glasgow and Edinburgh, less than an hour's drive apart. Repeated attempts to launch an indigenous Scottish airline to serve routes such as Glasgow and Edinburgh to Brussels, Frankfurt, Geneva, Milan and Copenhagen have foundered, the most recent example being the collapse of Scottish European Airways earlier this year, despite government grants and investment by the SDA.

However, continental airlines are steadily increasing their flights into Scotland. For example, Sabena of Belgium is increasing its daily services from Edinburgh and Glasgow to Brussels from one to two in the new year. Mr Colin Smith of the SDA says the agency is trying to encourage more airlines to operate services in and out of Scotland. "With smaller jets coming into service the wisdom of running region-to-region services is becoming more obvious," says Mr Smith.

*(Above)* The ferry between Kyle of Lochalsh and the Isle of Skye – one day they may be linked by a toll bridge; *(below)* the empty passenger terminal at Prestwick Airport

**Stewart Dalby** on the recovery of the offshore oil industry

# Granite city: buoyant again

THE MEN in 10-gallon hats with large cigars are no longer so much in evidence, but Aberdeen, often dubbed Britain's oil capital, once more has the bustle of a humming town.

To be sure, the oil price recovery has led to a less raucous mini-boom than in the pioneering days of the early 1970s. But the bars and restaurants in the so-called granite city are again bursting with life, there are traffic jams in the streets and house prices are rising sharply.

As one taxi driver said: "In the middle of the collapse in 1986 you could tell how bad things were. There were hardly any cars on the roads. It was noticeable."

The renewed buoyancy in the parts of Scotland associated with the oil industry is not just a matter of a volatile price because of Iraq's takeover of Kuwait, although that is a factor.

It is partly because the oil price has gradually recovered since 1986 when the *de facto* disintegration of the Organisation of Petroleum Exporting Countries (Opec) price cartel began to hurt.

However, price is less important to the British oil industry than it was. The pattern of North Sea exploration and development has altered dramatically over the past few years. An extensive infrastructure of pipelines, processing facilities and other improved transport forms for gas and oil is now in place.

New exploration effort can now involve incremental searches close to existing infrastructure. This means that a find of 5m to 10m barrels is often an economically viable discovery size.

In the 1970s and early 1980s exploration was usually targeted at finds of 200m barrels or more, to justify high development costs in virgin territory.

Exploration is thus no longer so dependent on a high price per barrel. What happened in the mid-1980s was that when oil prices slumped there was a collective loss of confidence and the major oil concerns stopped exploration. This is the easiest part of any oil company's operation to bring to a halt, much easier than extraction or distribution.

Gauging the importance of oil to Scotland in gross domestic product terms is not as simple as it appears because, of course, not all North Sea oil is off Scotland, nor are all known reserves offshore.

Mackay Consultants, a leading oil forecaster based in Inverness, estimates that Britain's oil industry amounts to £8.2bn in GDP terms or 2.1 per cent of Britain's GDP of £394.8bn. Britain, with 3.8bn barrels of proven reserves, accounts for some 3 per cent of the world's known reserves. There are 44 fields producing or in advanced development offshore at the moment, with a further 11 onshore. This excludes 28 gas fields, which themselves account for 0.5 per cent of known reserves.

Scotland's GDP is only £32.5bn, so the oil industry would seem to loom large in Scotland's economy. In GDP terms, however, the figures are not a particularly good guide because the £8.2bn figure is for all of Britain.

But in employment terms, it is difficult to overstate the importance of the industry to Scotland or at least the Grampian region around Aberdeen. Of the 100,000 employed in the industry, some 30,000 are offshore.

Estimates by various agencies put the total of directly oil-related employment in Scotland at around 75,000 jobs in over 2,000 companies. About 80 per cent of these jobs are in the Grampian region.

Oil-related activity accounts for around 20 per cent of total employment in the Grampian region. As a result of the current buoyancy of the sector, the unemployment rate in Aberdeen is the lowest in Scotland at 3.2 per cent.

Between 1986-88 some 15,000 jobs were lost in and around Aberdeen because of the oil prices slump.

Because today it is a different, more mature industry the current recovery in the oil price means these not only that these job losses have been made good but also in the future the importance of the oil sector will be significant for Scotland in a number of ways.

Mackay Consultants forecasts that on an average price of over $20 a barrel there would be three good years when production would be: 2.3m barrels a day in 1991, 2.4m b/d in 1992 and a similar peak of 2.4m b/d in 1993 after which the rundown begins to 2011, when on current known reserves and extraction rates the oil theoretically runs out.

The past two years' production at 1.86m b/d in 1989 and 1.88m b/d in 1990 have been below expectations. This is mainly because of technical breakdowns as offshore installations age, and partly because of industrial action in protest against safety arrangements and union rights.

The publication on November 12 of Lord Cullen's report of the findings of the public inquiry into the Piper Alpha disaster will have far-reaching implications for the industry. The report was a damning indictment of the offshore safety regime.

It put forward a whole raft of recommendations to improve safety, not least that a newly created division of the Health and Safety Executive be set up and hived off from the Department of Energy.

Implementing a new overdue safety regime will be costly. Mackay Consultants estimates its forecasts for 1991, 1992 and 1993 should be lowered by 10 per cent because of what Cullen has urged.

It seems unlikely, for one reason and another, that production will again rival the peak of 1985. Most of the big reserves are deemed to have been found.

Yet, at the same time, the oil is not going to run out in 2011. New recovery techniques for existing fields and the continual lowering of the economic threshold for new fields mean there will be an extractive industry well beyond then.

Moreover, as Mr Angus Nicholson, an economist with Mackay Consultants, points out, the industry is in a whole new ball game the second time around. He feels that there are now extensive linkages to other parts of the Scottish economy which did not exist in the early days.

He refers not just to backward linkages into supply and services but also forward linkages into the petrochemical industry in Scotland. He mentions the Shell/Esso Mossmorran complex and BP's Kinneil/Grangemouth facilities. Both are dependent on North Sea production for their raw material input and both are being expanded.

It is in the backward linkages into services and supply that the opportunities still exist which are thought not to have been taken.

Mr Ian Wood, chairman of the Wood group, says: "We have a turnover of around £120m which makes us, I think, the largest UK oil services company. But the big American players have turnovers in the billions."

Mr Wood feels that not enough was done in the early days to encourage British companies to develop a supply and services sector which would be a powerful foreign exchange earner.

Partly it is the old story, Mr Wood feels, of the oil money being used for balance of payments purposes and not being ploughed back to develop oil-related industries which could exist without the North Sea.

The government's Offshore Supplies Office (OSO) has monitored the UK content of the North Sea oil and gas market, *ie* the share of total expenditure which has gone directly to UK-owned companies. The OSO says that in 1989 the total UK share was 80 per cent. Mackay Consultants disputes this, saying if the subsidiaries of foreign oil service firms are stripped out, then the percentage drops to 51 per cent.

It has been estimated by the oil and gas division of the Scottish Development Agency that in the next decade there is a potential worldwide oil service industry of some $60bn. Of this, around $40bn is thought to be onshore with the individual countries concerned.

Mr Wood says: "This still leaves $20bn and if we could get, say, 1 per cent of that, we would be looking at an industry of $2bn. We've got nothing like it at the moment."

His company has been diversifying, most recently by acquiring a gas turbine company in the US. The group's non-oilfield activities now account for 25 per cent of turnover. Mr Wood says the objective is to develop another 25 per cent in international oilfield activities.

"We are looking for internationalisation and diversification. We must try to use this second opportunity to develop a broader economic base which is less vulnerable to the vagaries of the oil price."

Mr Hamish Dingwall at the SDA's oil and gas division feels that progress has been made in developing services. An oil technology park has been set up in Aberdeen. It will help to develop the industrial infrastructure if the new safety executive recommended by Cullen were to be permanently based in Aberdeen.

The SDA has a large number of projects and schemes to help would-be service sector groups. Its business development projects include strategic planning, management training and joint market studies. There are also export market studies, product studies and provision of market intelligence. Two studies already drawn up are opportunities in the Soviet oil industry, an area where none existed for foreign concerns before, and openings in Asia. Mr Dingwall says the companies are around and growing but it takes time.

**UK CONTINENTAL SHELF: OFFSHORE EXPENDITURE (£m)**

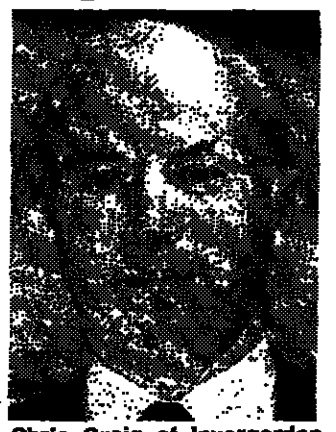
| | 1989 | 1990 | 1991 | 1992 | 1993 |
|---|---|---|---|---|---|
| EXPLORATION | | | | | |
| Surveying | 151 | 152 | 163 | 172 | 181 |
| Drilling | 302 | 304 | 326 | 344 | 362 |
| Well costs | 649 | 687 | 757 | 757 | 775 |
| Total | 1,102 | 1,143 | 1,246 | 1,273 | 1,318 |
| CAPITAL EXPENDITURE | | | | | |
| Production platforms | 243 | 430 | 607 | 388 | 369 |
| Installation operations | 70 | 175 | 284 | 362 | 222 |
| Plant and equipment | 598 | 830 | 1,202 | 968 | 598 |
| Submarine pipelines | 335 | 368 | 234 | 187 | 102 |
| Development drilling | 294 | 271 | 258 | 297 | 290 |
| Terminals | 44 | 169 | 121 | 8 | 0 |
| Subsea installations | 66 | 191 | 210 | 127 | 125 |
| Abandonment | 8 | 4 | 4 | 16 | 0 |
| Total | 1,658 | 2,438 | 2,920 | 2,352 | 1,708 |
| OPERATING EXPENDITURE | | | | | |
| Maintenance | 569 | 577 | 585 | 609 | 671 |
| Transport | 364 | 368 | 376 | 372 | 384 |
| Diving services | 430 | 445 | 456 | 475 | 519 |
| Drilling services | 440 | 408 | 387 | 445 | 435 |
| Personnel support | 102 | 96 | 99 | 103 | 113 |
| Total | 1,905 | 1,892 | 1,903 | 2,004 | 2,122 |
| GRAND TOTAL | 4,665 | 5,473 | 6,069 | 5,629 | 5,146 |

Source: Scottish Development Agency forecasts 1989-93

A liquid petroleum gas carrier under construction at the Kvaerner Govan shipyeard, Glasgow

## Revival in the fortunes of Scotch whisky

# Marketing is good for you



Chris Greig of Invergordon Distillers

A cooper at the Glenmorangie distillery

IT IS difficult to imagine a product more closely associated with a particular country than Scotch whisky.

One never hears of people going into a public house or restaurant and asking for an Irish. Yet Scotch whisky is universally known by its generic term of Scotch.

Whisky or *whiskyboe*, from the Gaelic *uisge beatha* or literally, water of life, has been made in Scotland since the fifth century.

By the mid-1980s, however, the industry was static, with vast stocks hanging over the market and the value of sales going nowhere.

The consensus of opinion was that this was because of a concentration on production and volume with not enough attention being paid to selling. It is ironic that with such a well-known brand name, it was a failure of marketing which pushed the industry into the doldrums.

Given that it takes a minimum of three years to *bring whisky to market*, Scotland was, metaphorically speaking awash in a whisky lake. Much whisky was sold in bulk.

The situation began to change with the mergers and takeovers of the mid-1980s.

There were a number of moves to form Allied Distillers which is now part of Allied-Lyons. But it was the Guinness takeover of Bells and then Distillers to form United Distillers which really got the industry moving.

The mothballing of many distilleries helped reduce the lake, and United Distillers limited its sales of whisky to other distilleries, writing off large stocks on its balance sheet. It then concentrated on aggressively marketing bottled blended brands such as Johnnie Walker. With the surpluses reduced, prices were able to rise.

According to Scotch Whisky Association figures, exports of Scotch whisky were just under £1.5bn in 1989. In 1986 they were only £1bn, so there was a rise of one third in value in just three years.

In volume terms, however, the levels barely moved. In 1986 236m litres of pure alcohol (lpa) were exported and in 1989 some 242m lpa were sold abroad. Around 84.5 per cent of all Scotch whisky is exported abroad.

A better year-by-year picture of volume sales is obtained by looking at exports rather than production since the warehousing element can include figures for whisky in store for up to 10 years.

Of total production, something over 90 per cent is blended whisky. This where up to 40 different malt whiskies are blended with one or more grain whiskies. Malt whisky is the separate and distinctive product of the 130-odd individual distilleries in Scotland. When sold unblended, they are known as single malts.

Guinness, through its ownership of United Distillers, has 32 malt whisky distilleries. But it is under no illusion that it has been the success of blended whisky which has been behind its growth in recent years.

The 1989 Guinness annual report has a chapter entitled "Brand marketing: the key to success."

It says: "After two years of radical reorganisation to streamline and restructure worldwide distribution operations, we have gained more effective control of the marketing of our key brands in major world markets.

"The focus of marketing effort on premium and de luxe brands together with our strong pricing policy reflect an overall policy of margin improvement within our business ...

"These initiatives benefit not only United Distillers but also the Scotch whisky industry as a whole."

The spirits business accounts for something 80 per cent of Guinness profits. This is not entirely due to Scotch, since Distillers has Gordon's Gin (as well as White Horse) in its stable.

Guinness clearly sees an important part of its revival as the marketing of well-known brands of Scotch.

But Dr Chris Greig, managing director of Invergordon Distillers, is pursuing a different line. Invergordon has four malt whiskies and Mackinlay, but the latter is not a household name as scotch whiskies go. But the lion's share of its business comes from supplying blended whisky for own brands in supermarkets and other stores.

Dr Greig reckons that his company has done well as drinking habits have changed – people now buy whisky in supermarkets under own brand names, whereas once whisky was mostly bought in public houses.

Not only blended whiskies have flourished in the 1980s. Malt whiskies have become a successful niche product.

They are sold on cachet, status, and pedigree almost like fine wines, albeit on a smaller scale. Malts account for just over 7 per cent of the world Scotch market by value but only 4 per cent by volume.

It was not until the takeover of Distillers that Guinness really began to promote its malts. Yet United Distillers cannot claim full credit for the revival in the malts market. The promotion of malts was almost counter-cyclical according to Mr Neil McKerrow, managing director of Macdonald and Muir, which makes the Glenmorangie malt whiskies.

In the 1970s companies like his, and the bigger William Grant, which makes Glenfiddich, began to promote malts as prestige, quality drinks. This was before it became fashionable to brand market blended whiskies. Through labelling, and emphasis on vintage and pedigree these companies carved niche markets, on Concorde, in hotels, in country houses and so on.

Glenmorangie is now marketing 10-year-old and 18-year-old malts. The company has expanded rapidly. Turnover last year was £30m, compared with £13m a decade ago.

As an industry Scotch whisky does not employ a great number of people, probably around 15,000. However in small, isolated communities, where a malt distillery employs, say, about a dozen people, it can be a significant force in the local economy.

Whether making it or drinking it, however, Scotch is important to Scotland.

As Compton Mackenzie said in his classic novel Whisky Galore about wartime bootlegging in the Scottish islands: "Beer does not taste like itself unless it is chasing a dram of whisky down the gullet, preferably two drams."

**Stewart Dalby**

ELECTRICITY PRIVATISATION

# Two key companies impress analysts

ONE OF the striking things that has happened in Scotland in the past year has been the sudden emergence of Scottish Power and Scottish Hydro-Electric, the two Scottish electricity companies that are set to be privatised next year.

When trading in electricity in Britain came into effect last April, the two companies immediately established a substantial market – which had formerly not been much exploited – for their power south of the border. They also discovered a market for their skills in a number of power station projects in England.

Financial analysts who have come north to look at the two companies ahead of privatisation have generally returned impressed. Privatisation will also add two substantial companies to the slender ranks of Scottish quoted companies.

The emergence of Scottish Power (formerly the South of Scotland Electricity Board) and Scottish Hydro-Electric (formerly the North of Scotland Hydro-Electric Board) has also caused pain for some of those involved. And it has brought to light a curious backwater of the British electricity industry which, like most backwaters, contained both luxuriant growths and stagnant water.

Scotland's electricity industry developed separately from that of England and Wales. There were two vertically integrated boards instead of the English structure of one generating board and several distribution boards. The SSEB, supplying about three-quarters of the Scottish population, called most of the shots through a joint generating agreement under which the plants of the two boards operated under a single merit order.

### A backwater of luxuriant growths and stagnant water

A striking feature of the old arrangement was the relentless drive, spearheaded by the SSEB, to build new power stations: Scotland currently has about 4,000MW of spare capacity compared with peak demand of about 6,000MW. The nuclear plants of the SSEB, including the recently completed Torness advanced gas cooled reactor station, could theoretically meet about half of Scotland's electricity needs.

What was surprising about this vast public investment in extra capacity was that the inter-connecting powerlines with England were able to export only 650MW of this power; except during exceptional periods such as the miners' strike of 1984-85, only a small part of this transmission capacity was actually used.

To prepare the Scottish electricity industry for privatisation the joint generating agreement was ended and the two boards became separate, which meant that Scottish Hydro-Electric gained equal status with Scottish Power. The nuclear stations were put into a new state-owned company, Scottish Nuclear (which is contracted to sell all its output to Scottish Power and Hydro-Electric).

While Scottish Power took some time to adjust to the changes raining down on it, Hydro-Electric was quick to exploit its new freedom. A number of scheduled and early retirements enabled it to install a new management team, with several key people drawn from the private sector, including Mr Roger Young, the new chief executive. Some believe the change of culture at Hydro-Electric has been one of the most impressive in the British electricity industry.

Hydro-Electric moved fast and signed deals to supply all the UK power needs of BOC, as well as Wiggins Teape and British Gypsum, although it lost a small number of large customers in its own area. It became involved in a scheme to design and build a new gas-fired power station on Teesside which would supply British Steel and BOC.

Though large-scale changes have been slower to get under way at Scottish Power, partly because the company is much bigger and partly because of its last-minute divorce from Scottish Nuclear, the Glasgow-based concern has also done well in volume terms on cross-border exports – it won Guinness as a customer, among others – and was chosen to join a promising consortium with London Underground to build two small power stations in London.

Now Scottish Powers formally setting up profit-oriented business centres within its organisation, a step which Hydro-Electric embarked on earlier.

To the investor the attractions of both companies include their well-balanced mix of generating capacity, ranging from coal and oil-fired plant, nuclear, hydro-electric and gas, and the fact that for many years there will be no need to add to it. Hydro-Electric is adapting its Peterhead power station to run on cheap sour gas from BP's Miller field in the North Sea, a project which will increase the effective capacity of both companies, since Scottish Power is to share the output.

The fact that the two companies are able to pick up customers in England, even on what may be low profit margins, suggests that they are highly economical producers. Hydro-Electric's management impresses outsiders with its agility, that of Scottish Power with its mix of engineering expertise and business acumen. "At Scottish Power you feel you're in the presence of people who really understand electricity, which is quite rare is some companies these days", says one analyst.

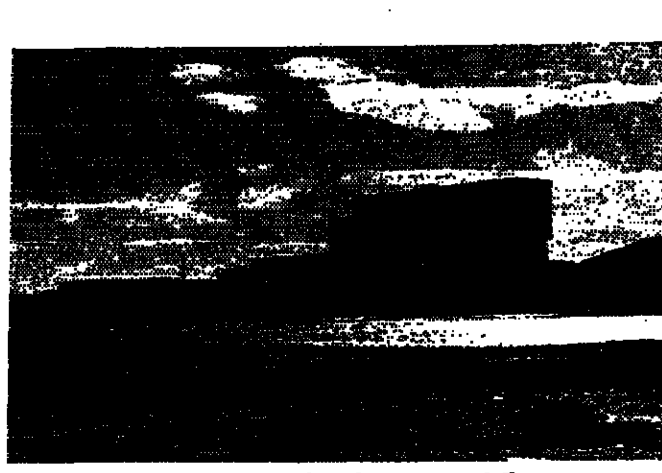
But the two companies face the problem that their home market offers only sluggish growth, especially in relation to their capacity, and the interconnector is too small. Of its 850MW total capacity, only 650MW is available to the two Scottish utilities, with Scottish Power entitled to 350MW and Hydro-Electric 300MW (the rest is taken by the UK Atomic Energy Authority's Chapelcross station).

Scottish Power is finalising plans to increase the interconnector's capacity to 1600MW by laying a new set of transmission lines, with the National Grid Company doing the same on the other side of the border and if necessary strengthening other transmission lines in England.

But the project, which would cost about £100m, first needs to pass through the planning process and then will need approval from both the Scottish companies. Dr Ian Preston, chief executive of Scottish Power, stresses that this will be a strictly commercial decision; in the past it might have been a political decision (though not one which the politicians ever took).

Currently the two companies are discussing the debt write-offs which the Scottish Office might make in the capital restructuring of the companies. Dr Preston believes that, having been subjected by the Scottish Office to a tough regulatory regime to benefit the Scottish customer, the government should now consider the interests of the Scottish shareholder. That process may not be complete until the new year. Assuming there is no war in the Gulf, the two companies will be floated in May or June.

**James Buxton**



Torness advanced gas cooled nuclear power station

**Stewart Dalby** on the steel industry's future north of the border

# The writing on the wall

THE STEEL industry seems, bit by bit, to be disappearing from Scotland, although no-one is prepared to admit officially that it is being wound up.

British Steel said last spring that the hot strip mill at its Ravenscraig complex at Motherwell is to close next April with a loss of nearly 800 jobs.

More recently, it was learnt that the Clydesdale tube works at Bellshill would shut, making 1,200 people redundant.

Few people hold out much hope that British Steel will keep open for long the Dalzell works, the plate-making brother to Ravenscraig, which employs 600 in Motherwell.

There is a large question-mark over whether the rump of the Ravenscraig steelworks, a slab maker, will continue in existence after the conditional guarantee runs out in 1994. As a result, 2,400 jobs could go.

Although there are other facilities, some of which are downstream, the closures would in effect mean the end of steelmaking in Scotland on any scale.

However, since privatisation in 1988 British Steel has not fully spelt out its strategic plans, partly for reasons of industrial confidence and partly, one cannot help feeling, because of the acute political sensitivities involved.

Yet interest groups, ranging from Mr Malcolm Rifkind, the former Scottish Secretary, to national politicians of all persuasions, to district and regional councils, private sector lobby groups such as the Scottish Council (Development and Industry), not least to the workforces themselves and the Scottish Trades Union Council, seem to have been reluctant to read the writing on the wall.

They have preferred to believe that steel as an industry will be cossetted and protected by guarantees and undertakings given, or thought to have been given, by British Steel on privatisation.

That is understandable because, apart from the dedicated workforces amounting to 5,000 employed directly, some 10,000 people are thought to derive their jobs indirectly from steel. Scotland has suffered particularly badly from the rundown of other heavy industries such as coal and shipbuilding.

It is cold comfort that in English towns such as Scunthorpe, Consett and Shotton, where steel has continued in a much reduced form or virtually disappeared, new industries have been attracted to supply jobs.

The belief that steel can survive in one form or another on a big scale in Scotland has persisted in the face of some compelling commercial logic which says otherwise.

This month a House of Commons select committee is examining the proposed closures at Clydesdale and Ravenscraig.

The Scottish Development Agency and the Motherwell District Council have been looking at schemes to keep the steel industry alive.

Only recently has Lanarkshire, where most of the steelworks are located, been thinking up plans for a post-steel era through the Lanarkshire Development Agency.

These plans will presumably be taken over by Scottish Enterprise – to be formed out of a merger of the Scottish Development Agency and the Training Agency – through its local enterprise council.

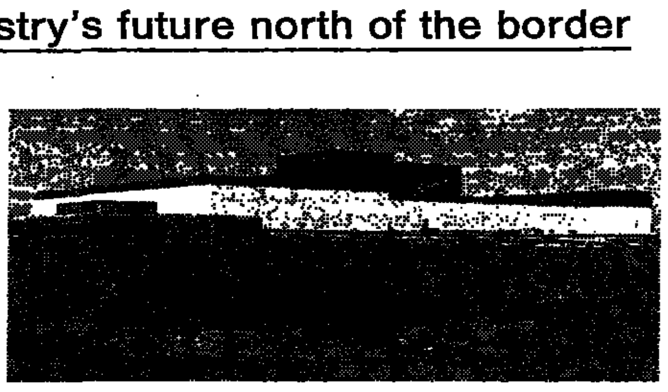
Those who would argue against closure appear on least solid ground with Clydesdale.

The world market for seamless tube has considerable overcapacity, partly because of heavy Japanese investment in the early 1980s.

Hopes that a product of this kind would find a home in an expanding oil industry proved short-lived. Prices have been under pressure.

Clydesdale, a relatively small plant with old technology and high costs, seems poorly positioned to face adverse market conditions. The STUC has said the plant could be kept going with a modest investment of £12m to £15m. British Steel, which says it would require much more than this, has been looking for a European partner to keep the plant going, but these plans seem to have come to nothing.

It appears that the heart of the complex is doomed, but British Steel seems likely to keep open the related Imperial works which finishes off the tubes. That will be supplied by tubes brought from European producers.



Cameron Iron works, in Livingston New Town near Edinburgh

The outlook for the plate mill at Dalzell also looks grim. A decision is to be made in the next few months. British Steel's own review, apparently, favours a new mill on Teeside, and that both Dalzell and the plate mill at Scunthorpe should be closed. The cost of the new investment would be between £300m and £400m. British Steel would ideally like to find a foreign partner to help shoulder the cost.

The Ravenscraig position is complicated as British Steel said, or appeared to say, at the time of privatisation that Ravenscraig could be sold if a suitable buyer could be found. It was not clear, however, whether it would be for sale with or without the strip mill.

The decision to close the Ravenscraig strip mill is designed to counter the original misalignment of British Steel's three strip mills. The company is investing in the other two mills in south Wales. Closing Ravenscraig will enable the mills in south Wales to operate at fuller capacity.

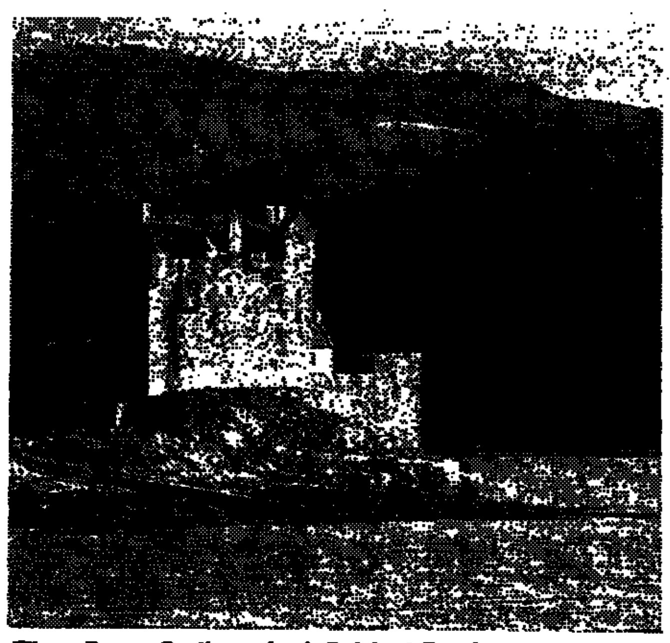
The argument here is that, now British Steel is a private company, the first obligation of Sir Robert Scholey, its chairman, is to make profits for its shareholders, and not spread steelmaking too thinly around the British Isles to mollify local political sensitivities.

But will anyone want to buy Ravenscraig without a strip mill, assuming it is for sale? Ravenscraig will be able to make slabs for British Steel until the end of 1993 and then presumably compete in the open market. That is not a rosy prospect.

Mr Hamish Morrison, chief executive of the Scottish Council (Development and Industry), says there are precedents in the US for plants like Ravenscraig surviving even without a strip mill, if they can be purchased cheaply enough.

"I can understand the logic which says that now British Steel is a private monopoly and not a public one, it doesn't want to sell a plant to a competitor at a knock-down price. I just wish they would tell us what they do intend to do with Ravenscraig."





Eilean Donan Castle on Loch Duich at Dornie

THE HIGHLANDS

# A renaissance in parts

INVERNESS is thriving. The capital of the Highlands is Scotland's fastest-growing town and its streets are thronged with visitors and shoppers from all over the north of Scotland.

Partly, this reflects the higher level of activity in the oil industry. Full order books for the offshore platform yards at Nigg and Ardersier spread prosperity throughout the Moray Forth area.

However, Inverness's success is mainly due to its emergence as the main commercial and service centre for most parts of the Highlands and Islands, a region which accounts for almost half of the land area of Scotland.

Sir Robert Cowan, chairman of the Highlands and Islands Development Board (HIDB), says that a generation ago highlanders had to send to Glasgow for tractor parts: now it is possible to have a computer repaired in Inverness.

Improved roads have also attracted shoppers from all over the region; visitors come on day-trips from as far afield as Orkney to shop in branches of the big national retail chains.

Sir Robert says that when Marks and Spencer first came to Inverness, the group underestimated demand because it relied on its previous experience of catchment areas. Not only did people travel from much further away than expected, but when they got to the store they spent a lot more, as most were stocking up for at least a month at a time.

The obvious prosperity of Inverness can pose problems. Sir Robert says: "Visiting ministers look round, see a bustling town and wonder why the Highlands are geting all this aid. We have to stress this is not typical."

Inverness is certainly not typical of the region as a whole. On the poorer periphery, crofters and hill farmers worry that cuts in EC agricultural spending may threaten the compensatory allowances which make it economic for them to keep sheep and cattle. Fishing communities are also likely to suffer from any cuts in quotas which Brussels may impose to save dwindling stocks.

Even success stories such as salmon farming have faltered. Prices have never fully recovered after dumping by the Norwegians and there have also been scares about the chemicals used to rid farmed salmon of sea lice.

The trouble is that the impact of adverse changes in farming and fishing will be concentrated on the poorer, outlying areas of the Highlands – the areas where the HIDB already spends the bulk of its resources.

The region has undoubtedly seen considerable advances since the HIDB was established 25 years ago. The population is at its highest level for 50 years and unemployment is below the Scottish average.

Trying to assess the achievement of the board so far seems appropriate, because the HIDB is about to be transformed into a new organisation, Highlands and Islands Enterprise, with many of its functions being devolved to eight local enterprise councils (LECs).

The new organisation will be the product of a merger of the HIDB and the Department of Employment's Training Agency. This devolution to LECs of responsibility for training programmes such as the Youth Training Scheme and Employment Training, the programme for the adult unemployed, mirrors the establishment of training and enterprise councils (TECs) in England and Wales. However, the Scottish LECs will have a wider remit covering business developments, urban renewal, land reclamation and property development.

Because of the huge area and sparse population, all eight Highlands and Islands LECs put together will still be smaller than some of the bigger lowland LECs. Their smaller scale also means that they are likely to have to rely more on the core services provided from Inverness.

In the rest of Scotland it is envisaged that 80 per cent of the current activities and spending of the Scottish Development Agency and the Training Agency will be routed through LECs.

Sir Robert has said he expects that about a third of the HIDB's staff will be retained for central core activities, a third will be devolved to the LECs and the remaining third will "float" between Inverness and the individual LECs, to close any gap between centre and periphery.

The devolution of development and training activities to local level corresponds with one clear trend in the Highlands: the failure of large-scale, imported industries to survive and prosper in the long term, apart from businesses tied to North Sea oil.

The running down of the atomic energy plant at Dounreay has cast a pall of gloom over Caithness. For Sir Robert admits that Highlands and Islands Enterprise will not be able to find an employer of the same scale.

The siting of an aluminium plant at Invergordon in Easter Ross and a paper mill at Corpach, near Fort William – both of which closed with large job losses – are now seen as part of a discredited policy of trying to foster "growth points".

Creation of the LECs fits in with an increasing emphasis on encouraging local, entrepreneurial activity – particularly in tourism, which remains a mainstay of the regional economy.

Doubts persist as to whether the LECs will be big enough to have much impact on the broader educational and cultural environment in which training and development is carried out.

Sir Robert complains that although the Highlands and Islands produces more graduates per head of population than any other part of Scotland, most still see their careers as being in the professions or as salaried employees of a large organisations. Perhaps only when more local graduates are prepared to return home and start up businesses, employing others, will economic renaissance reach all parts of the region.

**Andrew Bolger**

How they 'save it' in four leading industrial states, Page 2

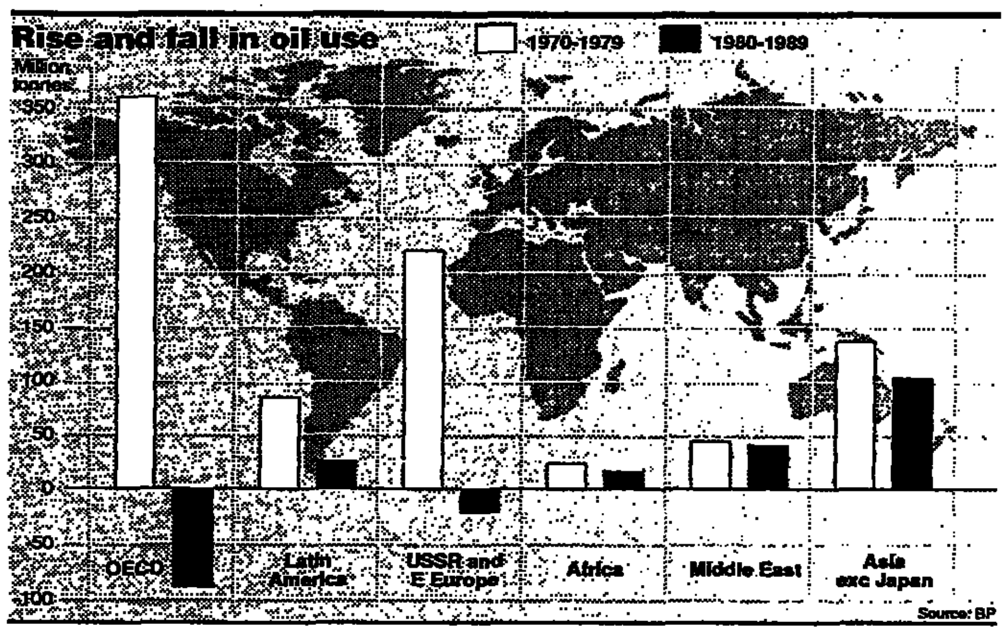
# ENERGY EFFICIENCY

Recession and apathy hit UK suppliers and consultants, Page 4

SECTION IV · Friday December 14 1990

The perils in the Gulf have combined with environmentalist fears to intensify awareness of the need for careful use of the world's fuel. But industrial countries vary widely in the determination and skill of their response to this challenge, writes **David Thomas**

## The issues are global




**As an Iraqi soldier takes aim in Baghdad, the drivers of London taxis, (right) like energy consumers around the world, are worried about the effect on petrol prices**

HANGING over the world are two threats causing a renewed interest in energy efficiency. The prospect of war in the Gulf is the more immediate. More long-term, though in its own way equally serious, is the possibility of global warming.

The rapid doubling of oil prices after Iraq's invasion of Kuwait this year is once more focusing the attention of governments in the industrialised world on their energy bills. Politicians are trying to educate voters afresh in the realities of world energy stocks: the great bulk of internationally traded oil comes from the politically unstable Middle East. Plans drawn up for conserving energy at the time of previous oil shocks are being dusted down again in ministries throughout the world.

The consensus reached this year among the scientific community about global warming is reinforcing this concern. Many options are theoretically available for cutting emissions of carbon dioxide, the main greenhouse gas. But most would involve extremely expensive programmes to switch away from fossil fuel burning, the foundation of almost all industrialised economies.

Of the various strategies identified for combatting global warming, a rapid increase in the efficiency with which energy is used would be by far the most cost effective and quickest to implement. That is why almost all the reports issued this year on global warming agree on at least one thing: a large energy conservation programme should be the first response by the world community to the greenhouse threat.

Meanwhile, most countries have introduced short-term measures to cut energy consumption in the wake of spiralling oil prices. The measures differ in detail depending on the precise circumstances facing each country in its use of energy.

In Japan, the powerful Ministry of International Trade and Industry has swung into action, distributing posters with such homely slogans as "turn your lights off when you leave your home" and "make sure your heater isn't set too high".

However, while Japanese industry seems set to renew its drive to conserve energy, the Japanese people may not respond as readily to such exhortations as they did after previous oil shocks. It may take more than homilies to deflect the increasingly affluent Japanese people from their growing interest in luxury items like bigger cars.

The German government has committed itself to reduce carbon dioxide emissions by over 25 per cent by the year 2005 – the most ambitious greenhouse target yet announced by a major country. The transformation of the grossly inefficient use of energy in eastern Germany will contribute a large part of this target.

But the western half of the country will also have to improve its reasonably good performance. The German cabinet has already proposed a carbon tax, which could raise DM10bn a year to be ploughed back into energy saving programmes.

The French government, highly conscious of France's heavy dependence on imported oil, introduced a range of tax and other incentives to encourage energy saving in its budget this autumn. French ministers had calculated that an oil price of $25 a barrel would add FFr32bn to next year's trade deficit.

For its part, Sweden is planning further measures to improve its already efficient use of energy, although the drive there is as motivated by the need to replace nuclear power as by higher oil bills. The government has set a goal of limiting annual electricity consumption to 135-140 terawatt hours by the end of the decade, only marginally up on current consumption.

Not to be outdone, the European Commission is finalising its ambitious SAVE (Specific Actions for Vigorous Energy Efficiency) programme. Brussels officials are working on a hotchpotch of schemes. They want to motivate consumers to cut their use of energy; to improve the performance of industrial and domestic equipment; and to use financial instruments to promote energy conservation. Some of the more ambitious Eurocrats believe that they can prod member states into cutting their energy consumption by up to 20 per cent by 1995.

### The UK government remains opposed to huge state handouts

An energy saving programme was one of the few substantial initiatives to emerge from the UK government's recent white paper on the environment. The Energy Department's energy efficiency office is busy trying to turn the rhetoric of the white paper into practical proposals: new schemes to help low income people insulate their homes and to assist small businesses with energy saving investments are among the first fruits of Britain's renewed interest in energy saving.

Nevertheless, the UK government remains ideologically opposed to huge state handouts for energy saving.

Mr John Wakeham, energy secretary, expresses the point crisply: "The financial benefits of saving energy are clear enough not to require additional government assistance."

Mr Andrew Warren, director of the Association for the Conservation of Energy, naturally disagrees. He stresses the sad irony that the renewed interest in energy saving has coincided with difficult times for supplying companies. Cavity wall insulators have seen their markets decline eight per cent since last year.

Supplying companies remain particularly critical of the Government's failure to promote energy saving in its own establishments with sufficient vigour. They say that it is often not worth the hassle trying to fight their way through public sector bureaucracy in order to sell their wares. As a result, Whitehall lags badly behind the private sector in some of the more innovative techniques for saving energy, like contracting out the management of a site's energy needs to one of the private sector companies specialising in this work.

The UK Government has recently set up a new ministerial committee on energy efficiency which is aiming to tackle such complaints.

But critics allege that the Government is bound to remain ambiguous about energy saving: ministers are inhibited from pushing energy saving too strongly because it would cut across their interest in a successful privatisation of the UK electricity industry. "Improving energy efficiency and reducing electricity demand will be directly against the commercial interests of the regional electricity companies after privatisation," argues Mr Simon Roberts, Friends of the Earth energy campaigner.

The electricity companies and the government naturally dispute this claim. Indeed, Combined Heat and Power (CHP), a more efficient form of electricity generation than conventional power stations, appears to have received a considerable boost from the privatisation programme.

Business users of electricity can save some of the charges levied under the new electricity regime if they generate their own electricity in-house. Established companies such as Associated Heating Services and Emstar, a Shell subsidiary, are being joined by newcomers such as Combined Power Systems, a Manchester-based concern, in the fight for this growing market.

Many of the newly privatised regional electricity companies are also putting their toe in the water by setting up CHP subsidiaries. British Gas, an established energy giant, has also announced its interest in CHP.

While there are a host of interesting and positive developments like this trend to CHP, many observers still doubt whether the political will exists in most western countries to take the really tough decisions which would boost energy saving.

**IN THIS SURVEY**



*Editorial production: Maurice Samuelson*

## FT writers find similarities and contrasts in the motivation for improving energy efficiency in four leading industrial countries

# Industry acts but the public hangs back

THE Japanese government is making an all-out effort to encourage industries and private citizens to conserve energy in the wake of the Iraqi invasion of Kuwait and subsequent higher oil prices. Industries are listening and taking action. However, Japanese citizens have little interest in listening.

Before Saddam Hussein's seizure of Kuwait in August, energy conservation was a minor but growing topic of interest in Japan. But, because energy prices were already high, most Japanese consumers think that somewhat higher prices are no major hardship. Moreover, with the dramatic strengthening of the yen against the dollar in September and October, the price of energy in yen terms has not risen much.

"New technology and heightened awareness are needed to enhance energy efficiency," advises the Ministry of International Trade and Industry (Miti) in its influential paper called "Vision for the 1990s". The position paper, which was written this summer by Miti's Industrial Structure Council, focuses on ways that industries can be encouraged to meet changing needs.

The Japanese are favouring cars with larger engines, and fuel economy is no longer a major issue when most people shop for a new car. Automobiles with 3-litre and larger engines are popular, and a variety of large engines will soon be introduced by Toyota, Nissan and other major makers. An example of the more-than-incremental growth in engine size is the 215 horsepower engine powering Honda's new Legend series, introduced in late October, up from the prior model's 160 horsepower.

However, despite consumer trends focusing on larger engines, Japanese automakers are diverting R&D toward innovative technologies needed to meet the new US Clean Air Act, while also working on fuel economy.

Miti is encouraging industries to move toward design and manufacturing of products characterised by high-value-added content. Such products require small increments of energy to manufacture relative to sales prices. Microelectronics, new consumer electronics such as camcorders or digital-audio tape(DAT) recorders, telecommunications equipment, laptop workstations and aerospace products fit the bill.

Moreover, Miti's Agency of Natural Resources and Energy (ANRE) wants to implement daylight savings time. ANRE intends to conserve energy by setting clocks ahead one hour in the spring. Japan is one of just a handful of industrialised countries that has not implemented daylight savings time.

The Ministry of Labour and the Economic Planning Agency are opposed to the idea. They believe that it would result in employees working even more overtime during the summer months. If the price of oil continues rising, ANRE may gain fresh ammunition for its campaign to implement daylight savings time.

Miti favours policies that promote use of nuclear reactors, which now supply as much as one-third of the nation's electrical power. Technocrats at Miti argue that nuclear energy reduces the need for burning oil and coal, thereby cutting carbon-dioxide emissions that are said to fuel the so-called greenhouse effect.

The white paper filed by the Atomic Energy Commission in late October puts extra emphasis on reliance on nuclear power to reduce the need for burning oil. However, the commission is merely using the opportunity of the Middle East crisis to boost the prospects of the pro-nuclear industrial community.

Some sectors of the Japanese economy are extremely energy efficient. Others are not. For example, waste heat from air conditioners, industrial facilities, and transportation equipment is seldom recovered. Such waste heat is a major resource that is likely to be tapped soon. On the other hand, the nation's steel production facilities are extremely efficient users of energy in terms of output. Additionally, Japan has tended to "export" entire industries, like aluminium smelting, which require large amounts of energy.

### JAPAN

Miti's Advisory Committee for Energy released a set of recommendations in the spring of 1990 calling for the nation to reduce its projections for energy use in the year 2010. The goal is to use energy more efficiently to slash the need to build new power generation facilities.

In the wake of the two oil shocks of the 1970s, Japan made tremendous strides in cutting unnecessary energy use. However, some crazy schemes were also suggested, such as installing mini-nuclear reactors in big industrial plants, including those operated by petrochemical and steel companies. The idea was to cut oil consumption further. Fortunately, that was one idea that never saw the light of day.

Companies that plan to benefit from the trend towards efficient use of energy resources include Mitsubishi Heavy Industries, Toshiba, Hitachi, Ebara, Fuji Electric and producers of batteries.

Mitsubishi Heavy Industries, which is Japan's largest maker of energy-related equipment, is accelerating its development of heat-recovery systems and so-called advanced pressurised-water reactors (A-PWRs). Toshiba and Hitachi, also active in nuclear power, stand to gain from any acceleration of Japan's nuclear programme as a means to conserve other energy sources.

For the Japanese government, nuclear power is mainly a national security issue. It is a means of reducing dependence on outside energy sources. Only recently, in the years since Chernobyl, has the Japanese government encountered major criticism of the safety and waste-material problems associated with its largescale nuclear-energy programme.

Makers of solar-power equipment such as Kyoto-based Kyocera, and Osaka-based Sharp, say the higher oil prices have given their products a boost. Sunlight-to-electricity conversion rates will have to be improved and production costs lowered to make such systems viable.

Meanwhile, Toshiba and Hitachi are working on more efficient household appliances, heat-recovery systems in urban areas, and an assortment of other products. Some air conditioners sold by Mitsubishi Heavy Industries and Hitachi feature "fuzzy logic" software programming in microchip controllers to slash electricity consumption.

Furthermore, the Laboratory for International Fuzzy Engineering Research, an R&D consortium established by Miti, is working on ways to use this software to cut energy use.

Moriya Shiki, president of Mitsubishi Electric, is trying to get appliance makers to boost their commitments to energy-efficient products. As chairman of the Japan Electrical Manufacturers' Association, Shiki thinks Japan can reduce harm to the environment by designing low-energy-use appliances.

Mitsubishi Electric is just one of Japan's major electronics makers focusing on tomorrow's ultimate power saver – superconductivity. Fabricating wires for transmission cables and electric motors from high-temperature superconductive materials will dramatically reduce energy requirements by slashing heat loss. Toshiba, which dubs itself the specialist in "E&E" – or Energy and Electronics – is another vertically integrated giant that can combine energy expertise with computer systems.

Meanwhile, Nippon Steel and Toyota Motor Corp. are separately working on electric cars. Other car makers are also showing interest in the field, especially in the wake of General Motors' unveiling of the revolutionary Impact prototype. The Environment Agency, a relative weakling within the government, is enthusiastic about the idea. So are Tokyo Electric Power and Kansai Electric Power, which sell electricity. Japan Storage Battery, an affiliate of the Mitsubishi group, is working on batteries for electric cars.

Yet despite all these efforts, Miti still appears to lack a clear strategy to encourage Japan's yawning citizens to conserve energy.

**Neil Davis**

An east German power plant in top gear: costly challenge for the west German taxpayer

# Carbon cloud over reunification

ENERGY saving is serious politics in Germany. During the recent all-German election campaign it even stole the headlines briefly when Chancellor Helmut Kohl speculated that a "carbon tax" to encourage energy saving would indirectly help to cover the costs of uniting the country.

He was immediately accused of reneging on his pledge not to raise taxes to pay for unity. But the idea of the carbon tax had been knocking about for some time and had even been approved in principle by the cabinet.

Dropping the carbon tax into the election debate was probably a good political move. The opposition Social Democrats present themselves as the party of the environment and had, as the centre piece of their election strategy, a plan to restructure the tax system to reward consumers and companies that save energy and punish those that waste it.

Mr Kohl succeeded in reminding the ecology-conscious voters that the government too cares about energy saving and the "greenhouse effect". Electoral considerations may also have played a role in Germany's magnanimous stance at last month's EC meeting on reducing carbon emissions.

The German delegation said it would not allow the meeting to break-up without agreement on – at the very least – holding EC-wide emissions at the current level until the end of the century, and even offered to cut German emissions further in order to allow other countries to increase their emissions slightly.

The German record on energy saving over the past two decades has been reasonably good. Between 1973 and 1982 energy consumption fell by about 20 per cent thanks largely to higher oil prices but also to the incentives created by the government of Mr Helmut Schmidt, which paid out about DM7bn between 1974 and 1982.

As in most other countries, the record has been less impressive during the 1980s thanks to the fall in oil prices. But despite an increase in GNP over the decade of nearly 30 per cent, energy consumption has at least stayed static.

The Social Democrats nonetheless complain that many of the incentives created by the Schmidt Government have been scaled down or abolished and that only DM4bn has been spent between 1982 and 1990.

That may be so, but Mr Kohl's Government has now committed itself to one of the most radical carbon reduction campaigns in the industrial world.

Driven by the pressure of public opinion and by the desire to maintain Germany's high standing in the environmental debate the cabinet has accepted the highly ambitious target of reducing carbon dioxide emissions by "more than" 25 per cent by the year 2005.

Last June, the cabinet

### GERMANY

approved in principle a 25 per cent reduction for the then west Germany alone. After the formal integration of east Germany, one of the most wasteful users of energy in the world, the Bonn environment ministry pressed for an increase in this figure, arguing that a sharp cut in East German emissions would be relatively easy to achieve.

The cabinet subsequently accepted the rather vague formula of "more than" 25 per cent.

Germany, after the integration of east Germany, has actually become Europe's biggest per capita producer of carbon dioxide at 13.7 tonnes a year (the old west Germany was 11.7 tonnes and east Germany an incredible 22.4 tonnes).

The actual total is 1,06bn tonnes a year which Mr Klaus Toepfer, the environment minister, plans to cut by 300m tonnes in 15 years. Many people believe this to be unrealistic. The Prognos Institute believes that only a 7 per cent reduction is possible without a radical reduction in the burning of hard coal, brown coal and oil.

Taking west Germany alone (figures are not available for east Germany) the main sources of carbon dioxide emissions (total 716m tonnes) are: power stations, 252m tonnes; households and small consumers, 186m; transport, 137m; and industry, 120m.

The biggest slice of the 25 per cent reduction is supposed to come from households (75m tonnes, 10.5 per cent), followed by industry (39m tonnes, 5.5 per cent), and power stations (42m tonnes, 5.9 per cent). Transport only contributes 1.8 per cent.

And how is this to be achieved? This is where the Environment Ministry gets vague.

The one concrete proposal is the "carbon tax" expected to be levied at DM10 per tonne and to raise DM10bn a year to be ploughed back into promoting energy saving. The duty would mean a slight increase in the price of petrol but only about 3 pfennigs a litre.

Power stations are already relatively efficient burners of fuel but there is room for some improvement and for a further development of combined heat and power plants which utilise their otherwise wasted steam and hot water. The biggest potential, according to the environment ministry, lies in more efficient domestic central heating.

Swift reductions will, initially, be much easier in east Germany where insulation and even the use of basic thermostats have been virtually unknown.

The removal of heating subsidies at the beginning of next year should have an immediate effect on the consumption patterns of east Germans who have been used to regulating heat levels by opening windows.

About one-third of east German power stations are roughly as efficient as west German ones but closing some of the least efficient ones and pumping in more electricity from west Germany will also help.

**David Goodhart**

# Post nuclear plan

SWEDEN has made great progress in saving energy since the start of its intensive conservation programme introduced during the oil price shocks of the mid 1970s.

Total energy consumption is now approximately at the same level as in 1973 despite substantial growth in the economy and industrial production. It is one reason why the Gulf crisis and the current high oil prices have so far had a minimal impact on the Swedish economy.

The importance of energy conservation increased during the 1980s following the government decision to shut down the country's 12 nuclear reactors by 2010.

Officials argue that more stringent energy conservation would partially compensate for the abolition of the nuclear plants, which supply almost half of the country's electricity.

When the Riksdag (parliament) approved in 1988 the shutdown of the first two reactors by the mid-1990s, the decision was accompanied by a SKr400m five-year energy conservation plan. Although the nuclear phase-out in the mid 1990s has now been postponed, work is proceeding with energy conservation measures, backed by research into energy technology.

The goal is to limit annual electricity consumption to 135-140 terawatt hours (TWh) by the end of the 1990s, only slightly more than the current consumption figure of 133 TWh. Electricity accounts for a third of total energy use with natural gas, oil products, indigenous fuels and coal supplying the remainder.

Sweden is one of the world's biggest consumers of electricity on a per capita basis due to its long and cold winters. But the growth in electricity demand is slowing, partially due to the energy conservation measures already in place. While Swedish electricity demand increased annually by 6-8 per cent in the early 1980s, it grew by 2-3 per cent in the second half of the decade.

Kraftsam, the Swedish energy producers' organisation, predicts that electricity demand will continue to increase by 2 per cent annually throughout the 1990s. Despite the slow growth, electricity consumption will reach 150 TWh by the year 2000, still above the ceiling proposed by the government, according to Kraftsam projections.

One way to curb demand would be increase electricity prices, among the lowest in Europe.

### SWEDEN

The government last year allowed Vattenfall, the Swedish state power board, which provides half of the country's electricity, to introduce a new tariff structure that more realistically reflects prevailing market conditions.

While the real average electricity price charged by Vattenfall fell by 12 per cent between 1983 and 1988, the agency believes the new tariff system will mean prices will return to the 1983 level by 1991. The new tariffs are based on the use of differentiated energy and peak load charges and are designed to encourage high electricity users to reduce their energy consumption.

The government has also significantly increased VAT taxes on electricity and other forms of energy, including coal, oil and natural gas, while rewarding industries that promote energy conservation and the use of renewable fuels with tax breaks.

Kraftsam predicts that the new tariff policy and extra taxes will increase electricity prices by 30-70 per cent by the year 2000.

Attention has also focused on building methods as a way to save energy. Building code regulations concerning insulation thickness and impenetrability have been tightened during the 1980s.

This is supported by an information campaign by the local electricity utilities advising customers on the most energy efficient appliances, including refrigerators, stoves, washing machines, other electrical consumer products and lightbulbs.

Vattenfall is in the midst of a more ambitious five-year, SKr1bn energy conservation programme called Project 2000. Begun in 1986, the project is investigating ways to promote electricity conservation by consumers and cut consumption by 2 TWh annually between between 1991 and 1996.

Project 2000 is examining the advantages of different energy alternatives and the reaction of various customer groups to their possible use.

Once the studies are completed in mid-1991, Vattenfall will then put these findings to commercial use, with marketing personnel cooperating with customers to identify their potential.

A second aspect of Project 2000 is the development of new electricity-efficient technology. Interest has focused on heat pumps, which extract heat from air and seawater and pump it into water heating pipes for homes and offices. While heat pumps were once used to warm swimming pools, Sweden developed massive heating pumps to warm whole city districts.

Vattenfall is now working on refining the heat pump system since the demand for electricity to heat homes and offices, the single largest group of energy users in Sweden, has increased during the past decade.

The goal is to convert as many buildings as possible to heat pumps, while improving building insulation.

One Stockholm hotel uses a system of heat pumps and heat exchangers to provide most of its annual energy needs. The system recycles surplus heat from kitchens, lifts, lighting and the body heat of the guests.

But is energy conservation capable of replacing both imported oil and nuclear power?

While industry representatives are doubtful, others believe it can be achieved. The Swedish Defence Research Institute, which has examined the country's energy self-sufficiency needs, argues that the use of heat pumps, combined with biomass and wind, solar and fuel cell power, could replace nuclear power as a source of electricity as long as energy use is brought down by energy-efficient homes and offices.

Vattenfall researchers believe that electricity consumption could actually fall to only 88 TWh by 2010 if advanced technology now in the research and development stage were adopted.

The use of other efficient energy-consuming technologies, now commercially available or in an advanced stage of development, would keep electricity demand within the limits of between 95.9 TWh and 110.9 TWh.

Even a 50 per cent rise in the cost of electricity would result in annual consumption of 139.5 TWh.

**John Burton**



# Green politics to the rescue

THE increasingly strident battle among UK political parties for the green vote is a godsend to promoters of energy conservation. Long relegated to the fringes of UK public debate, energy efficiency is moving up the political agenda.

Indeed, the annexe on energy efficiency in this year's white paper on the environment, *This Common Inheritance*, was widely perceived as one of the few sections with meat in an otherwise insipid document. The white paper threw out a host of proposals including:

- A further 2,000 megaWattts of energy efficient Combined Heat and Power plant by the end of the century.
- A target of 15 per cent saving in the government's own energy bill to be achieved within five years.
- An extension of the services offered to consumers by the Department of Energy's energy efficiency office.
- Moves to encourage the energy labelling of buildings, which will be incorporated into the building regulations when next amended.
- Help for local government to realise the scope for energy efficiency savings identified in a report by the Audit Commission. These were estimated to be worth £100m a year.
- Discussions with manufacturers about an energy efficiency labelling scheme for electrical appliances.

**PLANNED BUDGET OF UK ENERGY EFFICIENCY OFFICE (£m)**

| | Total | Home energy efficiency scheme |
|---|---|---|
| 1991-92 | 42 | 27 |
| 1992-93 | 48 | 32 |
| 1993-94 | 49.5 | 33 |

Source: Department of Energy

Government critics were quick to point out that many of these proposals were not new. Nevertheless, optimists argued that the very process of drawing them together in one place would boost Britain's energy saving effort.

The recent appointment of Mr William Rickett as director general of the energy efficiency office is also widely viewed as a cause for guarded optimism. A high flyer who was instrumental in stitching together the new privatised electricity system, Mr Rickett's willingness to take on what has often been seen as an Energy Department backwater is a positive signal.

One of the first tasks facing Mr Rickett is to introduce the home energy efficiency scheme which will give grants for energy efficiency measures to low income households.

While the scheme builds on a previous arrangement administered by the Department of Employment, new provisions will give low income householders financial help for

### BRITAIN

advice on energy saving. In addition, they will get a grant towards draughtproofing, as well as loft, tank and pipe insulation.

The appointment of a network of approved installers is the scheme's most innovative aspect. They are being appointed in every locality to carry out the work under the umbrella of the Neighbourhood Energy Action, a Newcastle-based charity which won the contract to administer the entire scheme.

The importance attached to the new scheme can be gauged by its funding. Next year, it will consume £27m, almost two thirds of the entire budget of the energy efficiency office.

Mr Rickett has also pencilled in for next year the launch of a voluntary energy labelling scheme. This would grade appliances, possibly from one star to five star, on the basis of their energy efficiency.

However, the environment white paper hinted that energy labelling might be made compulsory if manufacturers did not respond voluntarily.

The UK scheme's final shape could also be determined by discussions in Brussels about a directive promoting labelling throughout the EC..

Mr Rickett is also working on help for smaller companies wishing to improve their use of energy. "Smaller companies have obvious management time constraints in identifying gaps in their energy saving record," he says.

The efficiency office would like to pay for small companies to be advised by consultants on how to improve their energy use; it would then also contribute towards the cost of project management if a small company decided to make an energy saving investment.

This small company scheme

William Rickett: new broom

will not, however, be introduced until 1992. Meanwhile, the government has established a new ministerial committee on energy efficiency in the wake of the environment white paper.

Mr Rickett says that the ministerial committee will prod all government departments into stressing energy efficiency in promotional work.

Critics are, however, sceptical of the initiative. They see it as a typical Whitehall manoeuvre: setting up a committee which will deliberate in private and pass gently into obscurity, when there is no consensus to do anything in the real world.

Mr Rickett acknowledges that the public sector has some leeway to catch up before it matches the private sector in the efficient use of energy. But he insists that the new ministerial committee will play a catalytic role in closing the gap.

Mr Andrew Warren, the director of the Association for the Conservation of Energy, also vests some hope in the committee: "An issue like energy saving can easily be made peripheral. If it is institutionalised within the heart of Whitehall, then there is some chance of action," he says.

Perhaps a more telling criticism of the Government, voiced by Friends of the Earth among others, is of its failure to underwrite financially its conversion to energy saving.

This year's Treasury autumn economic statement shows that, with the exception of the new home energy efficiency scheme, almost no new resources are being channelled in this direction *(see table)*.

One of the few avenues left to the government is exhortation. The energy efficiency office has just completed preparations for a new advertising campaign which will be targeted on people moving or improving their homes. Generalised messages in the past directed at the entire population have not been effective.

**David Thomas**

هكذا من الاصل

Frans de Ruiter contemplates the interior of the Utrecht Power Station.
(Sculpture by Dutch artist P.H. d'Hont. Turbine housing design by K.D. Sie.)

# Frans de Ruiter's turbine is a work of art.

Frans de Ruiter is Managing Director of UNA, the Dutch electrical power utility supplying the Noord Holland, Utrecht, Amsterdam area. He has a tough assignment. UNA serves one of the most densely populated regions of the most densely populated country in the world. To help it do so, UNA has completed the installation of the two largest, most efficient gas turbines operational in the world today. Each generates 140 megawatts of electricity at efficiency levels well in excess of any comparable facility.

"We have made full use of ABB's most advanced technology to meet demanding targets," says Mr. de Ruiter. "At the same time, we have been able to satisfy Holland's strict environmental controls."

Not only are UNA's plants exceptionally "clean" – UNA has just won a prestigious international award for its environmental achievements – but the company's efforts to landscape the surroundings of its power plants have also won praise with local communities. At the Utrecht power station, Mr. de Ruiter's environmental efforts have gone one step further. He has turned the interior of the plant into a giant gallery, and one of his new turbines itself into a work of art. "Why not?" he asks. "Our employees deserve a stimulating work environment. And we are proud of having the world's most modern."

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## Wallpaper maker turns infra-red

JOHN PERRY Wallpaper, founded and based in Islington, London, since 1875, is competing for a London Electricity efficiency award after switching from a gas heater, which gave off fumes, to an electric infra-red oven to dry its rolls of paper. The infra-red oven is said to dry the paper without shrinkage, colour deterioration or tearing. Production has risen 100 per cent and rejection rates have been significantly reduced. The company still prints its paper from wood blocks (pictured above), some of which date back to the 18th century. Customers include Royalty, the Houses of Parliament and owners of stately homes.

### Brussels contemplates tougher action

# Save it or else...

THE EC is preparing a new energy conservation programme, in which wasteful consumers may be threatened with a visit from energy inspectors.

The programme, called SAVE, is not to be confused with the UK Government's Save It campaign launched in the 1970s oil crises. The European version is a far broader attempt to encourage, persuade and maybe force member states to cut their energy consumption by up to 20 per cent by 1995.

SAVE stands for Specific Actions for Vigorous Energy Efficiency. Unlike the UK's Save It and many similar independent schemes run within Europe over the past 20 years, which concentrated on saving for saving's sake, SAVE is about protecting the environment too.

Energy-efficiency improvements are officially acknowledged to be the cheapest and quickest way to reduce carbon dioxide emissions, one of the principal contributors to global warming.

SAVE is at present merely a programme. This means it is a collection of ideas, proposals and possible research projects suggested by the bureaucrats.

But some draft directives – EC laws that, if passed, have to be included in the laws of member states - have been drawn up in parallel, in anticipation of the programme being approved by the politicians.

The programme has three parts. It suggests ways to encourage efficiency by:

- Motivating the consumer to reduce energy consumption;
- Improving the performance of industrial and domestic equipment;
- Using financial instruments to make energy conservation more cost-effective.

SAVE's ideas to motivate the consumer are reach quite far-reaching. For example, if the proposals are accepted businesses will have the choice of either employing an energy manager or complying with regular energy audits from outside specialists.

This sounds rather more draconian than it really is. Energy managers are now becoming more common simply because it makes economic sense to manage that part of the business better. Energy audits, usually conducted by outside consultants, are also becoming more desirable because their cost is usually repaid by improvements recommended by the specialists.

Other suggested motivators include: a scheme to provide details of a building's energy efficiency; energy labels for domestic appliances and a change in the way energy suppliers are allowed to operate.

The proposals for buildings, if accepted, would mean that prospective leaseholders could demand independent figures on the energy-efficiency of a building – and use these as a bargaining point – before taking on a property.

This could also go some way to rectify the current problem where the developers have little interest in including energy-saving measures because they will never occupy the buildings themselves, and therefore never have to pay the heat and light bills.

Schemes to attach energy labels to domestic appliances – such as fridges, freezers, irons, cookers and kettles – are being set up in most European countries.

Similar proposals in SAVE could provide the necessary uniformity to allow fair competition between European manufacturers.

SAVE also suggests that gas and electricity suppliers should be converted from utilities into services. This is designed to overcome one of the main problems (in the view of conservers) with the present energy supply structure.

Energy suppliers, conservationists suggest, might be required by law to promote energy efficiency, but they have a far greater interest in selling more of their product rather than encouraging consumers to use less. Restructuring the energy-supply industry into service providers is favoured in the UK by the Opposition but is anathema to the Government. It has privatised the gas industry and is in the process of selling off the electricity industry. Shareholders are, on the whole, not interested in suppliers promoting conservation.

The second part of SAVE proposes to set minimum efficiency standards for a range of energy-consuming equipment, from domestic appliances through to industrial boilers.

It remains to be seen if EC states will agree on what is considered "grossly inefficient".

The current UK position appears to be that while there must be minimum standards of efficiency (preferably voluntary), these standards should not be too tough.

SAVE proposes improved minimum levels of insulation in buildings and yearly, mandatory inspections of boilers.

But SAVE is far less radical about free-market measures to curb consumption. The use of financial instruments (such as taxes and levies on energy) should, says SAVE, be left to the governments of member states.

The programme calls for more research on how the full environmental cost of energy (including the cost of pollution) can be reflected in the price paid by consumers.

SAVE also promotes third party financing. This confusingly-named system, used rather more extensively in the US than Europe, involves contracting out a company's energy management to an outside consultant.

Such contracts often specify that the "third party" pays his own fees by the savings he achieves. Even if this is not the case, the energy specialists, it is argued, will be a more efficient manager than general managers within the company.

SAVE likes, but does not fully endorse, another US idea with an equally confusing title – "least-cost planning".

The idea is that it is often more profitable to suppress demand than expand production to meet rising demand.

The EC is not totally convinced by these arguments, although there is proof of least-cost planning in the US. Consequently, SAVE proposes about 15 pilot studies to check the idea's "viability in the European context".

Since 1985 EC nations have collectively managed to conserve about 20 per cent of their projected energy consumption. Suppliers of energy conservation equipment and material, and indeed environmentalists, are hoping for an extremely vigorous energy-saving future.

**Peter Knight**



### UK equipment and marketing

# The gloom deepens

THERE is much gloom among British companies that promote and supply energy conservation products and services, such as energy managers, contract-energy suppliers, insulation material suppliers and makers of heating-control technology. Business is bad and, for many companies in this sector, getting worse.

"I don't think you can make energy conservation sexy", says Mr Richard Tinson, chairman of the Contract Energy Management Group. "After all, who is ever going to get excited about cavity wall insulation?"

Dr Glenn Brookes, executive director of the Energy Systems Trade Association (ESTA), adds: "The joint turnover of our members has increased from £20m in 1982 to about £200m this year. But there are clear signs of a downturn. Consultancy fees have already dipped by about 40 per cent. Prospects for next year are not very good because the building trade is in recession."

Mr Andrew Warren, director of the Association for the Conservation of Energy (ACE) industrial lobby group, agrees. "It's very depressing. This industry saw a market fall of about 12 per cent in 1988-89. And there is every sign that the market is now declining more than before. The worst hit is the cavity wall industry. We've seen dozens of long-established contractors leave the business."

And to make things worse the Office of Fair Trading announced last month that it is taking 18 thermal insulation suppliers to the Restrictive Practices Court for alleged price fixing.

Yet despite these problems energy-conservation industry should surely now be in a joyous mood. The oil price is high and looks set to rise further as troubles in the Gulf continue.

The EC is pressing for stronger energy conservation measures and the UK government has said in its environment white paper that energy efficiency improvements are the cheapest and quickest way to combat global warming.

These pressures are bound to boost the market for energy-efficient products and services. Yet the industry is in a hang-dog mood and speaks only of barriers. Among these are:

- Unfair competition from the energy supply companies, mainly gas and electricity, which have much more marketing muscle than the conservation suppliers.
- VAT added to energy-management products, such as insulation, but not to fuel. "I call that a 15 per cent bias against the environment," says Mr Warren.
- Lack of government initiatives to encourage energy efficiency.

It is this perceived government apathy that appears to have nobbled the industry, Mr Warren longs for the glory days of the 1980s when Mr Peter Walker was energy secretary and energy conservation was on high on his agenda.

But then Mr Walker was replaced by Mr Cecil Parkinson. The budget for the energy efficiency office within the energy department was cut from its high of £24.5m (1986-87) to around £18m. Loft insulation subsidies were stopped and so were grants that paid half of the cost for energy surveys in industry.

Mr Parkinson's first "crime" was to tell the industry that it had to stand on its own two feet. But worse, he stopped talking about the importance of energy efficiency. No one was invited to nibble croissants and discuss cavity wall insulation or draft-proofing.

The issue quickly slipped off the political agenda. Depression quickly set in and council meetings at ACE became sorrowful affairs where talk was of doom and decline.

"The industry feels that there is a need to send the right signals. The visibility of the topic is important and so is the readiness of senior ministers to be associated with it," says Mr Warren.

Government, says Mr Warren, has to do the running. Mr Brookes agrees and so do most people in the energy-conversation business. But why can't the industry stand on its feet?

"It's just not a very exciting subject. It's about saving and that's not considered interesting," says the ministry man from the overheated energy efficiency office in Victoria.

**Draught proofing material is not inherently exciting**

So it appears that yet another barrier for the energy-efficiency industry is deeply entrenched and horribly negative attitudes to saving energy.

"Of course energy-saving can be made sexy," says Adam Lury, a partner in the team of Howell Henry Chaldecott Lury.

His company has done highly unusual, but successful, campaigns for First Direct bank, Fuji Film, Molson lager and Maxell audio tapes.

But is it really possible to make draught-proofing material exciting and desirable? "I'm sure that by redesigning and repackaging the product you could get people to say 'I want one'. No one would have thought 10 years ago that you could make a supermarket or a bank sound interesting," says Mr Lury.

Mr Warren has heard this before. "The industry has been promoting its products. But the difficulty has been that they have been in a vacuum because of lack of government support.

"Regardless of how effective the marketing strategy has been – and even if the government has to conclude that the whole industry is run by clowns (in which they would be wrong) those are the people that the government is going to have to work with to find solutions to environmental problems."

Mr Warren's argument, among many, is that government needs to support the industry, for without it, the country will have difficulty meeting its targets to reduce carbon dioxide.

"You have to recognise that you're not going to get the levels of $CO_2$ savings, and the sort of financial savings that everyone knows are there, without getting heavily involved on a national basis."

He says the industry needs to triple in size if the UK is going make the fuel savings that are thought necessary to contain environmental problems such as acid rain and global warming.

**Peter Knight**

Office power bill savings become a national objective

# Too little money to burn

THE ENERGY costs of the UK's public and office buildings runs at some £660m. a year, around 22 per cent of their total services bill. Yet they are also the most controllable costs. Cuts of at least 30 per cent can often be made by better housekeeping, according to the Building Research Establishment of the Department of Energy.

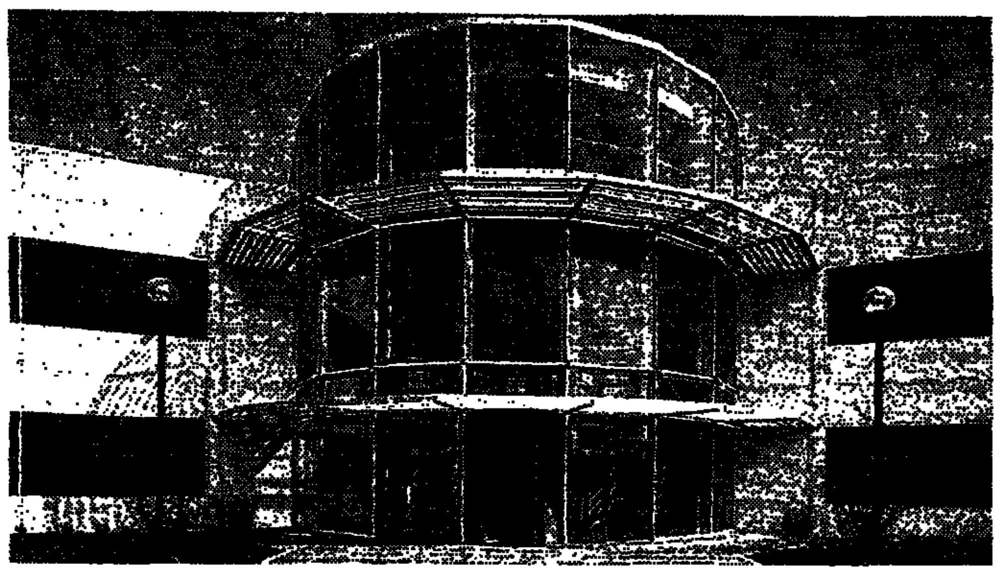
The office sector is one of the government's leading targets for saving money through more efficient use of energy. Its approach is likely to strike a chord among private companies less interested in macro-economics and environmental benefits than in improving their own balance sheets.

However, the means to energy efficiency vary widely and it is not easy to steer through the sea of schemes, consultancies and suppliers of equipment. Energy efficiency in offices depends on several afactors: the building construction, the type of technologies and fuels used, the management of the system. But the relative weighting of these factors is confusingly different.

There have been major advances in lighting equipment. some The new smaller, high-energy fluorescent tubes are about 40 per cent more efficient than the older larger tubes. High-pressure sodium and metal halide lamps are also very efficient. Luminaire control units using solid state balast give around 30 per cent energy reduction for about the same light output.

Among heating systems, condensing boilers are particularly efficient. They gain extra efficiency by capturing "waste" heat vented away in the flue gases and from water vapour given off during the normal gas-fired heating process. This makes any combustion process boiler more efficient.

Then there are increasingly clever computer-based energy management systems. They dispense with individual control of services and manage the lot automatically, using a pc linked to intelligent local controllers. These can be programmed to save energy by turning lights on and off (with the help of infra-red sensors) depending on whether a room is occupied or not, controlling heating by taking solar heating into the reckoning, and so forth. They also act as general monitors checking fuel consumption, highlighting trends and will activate security systems.



The Milton Keynes Power House: designed to ensure half price operating bills for its occupants

Yet for all their cleverness, computerised energy management systems are not a panacea, and it is widely believed that they are not worth installing in offices with an energy bill of under £20,000.

In fact "energy-efficient" office buildings rely less on outlandish new technologies than on a new attitude to building design. Even energy-efficiency showcases such as the Solaris and Power House office buildings at the Milton Keynes Energy Park use simple procedures such as double glazing, draught proofing, sensible levels of wall and floor insulation, external louvres. Plus intelligent design of windows and all glazed areas to maximise the use of daylight.

They also include less commonplace features, such as the best ventilation systems backed up by heat extractors and computerised energy management. But the real innovation is that all the energy saving techniques are used methodically as part of a total design.

Attempts to change public attitudes are also made by the Energy Efficiency Office and the Building Research Energy Conservation Support Unit (BRECSU). They coordinate the government's efforts on energy efficiency and provides technical information and guidance and basic advice on good energy-saving habits. There is indeed a certain painstaking emphasis on energy efficiency that does not involve technologies or major refurbishments.

"We are concerned not just with energy efficiency in prestige buildings such as those at the Milton Keynes Energy Park, but also with improving existing buildings using standard measures," says BRECSU departmental head Dave Hampton.

"Our aim is to set a code of good practice on energy efficiency, striking a compromise between what can be ideally achieved and what the building industry and tenants are prepared to pay for." For example, double glazing, which is an

### Success depends on a totally integrated building design

essential element in true energy efficient buildings, is by no means standard in UK office buildings. But this, as anything else requiring a big capital investment not immediately recoupable, would be difficult to enforce, says Hampton.

Another route to energy efficiency in the office is to hand the problem to somebody else. This is likely to be one of the UK's Contract Energy Management companies y, which act as consultants, equipment suppliers, installers and finance house in one.

Having analysed the client's requirements, the contractor will install and monitor the recommended system, and finance the capital investment. This is amortised from a share of the energy savings achieved.

There are only a handful of such companies, and they should not be confused with the immense number of plain consultants and equipment suppliers. The main players include Associated Heat Services, Inenco, Emstar (Shell subsidiary), BP Energy, and National Power, all of which emphasise the separation of their judicial and executive powers. Indeed their consultancy and finance schemes are handled by separate divisions within the company.

They, and specialist tariff analysts, also draw attention to the price which their clients pay for their energy. Tariff analysis is an area of consultancy that is becoming increasingly relevant.

Some companies pay for more units or calls than are actually used, due to accounting and computing errors. Many customers also have old-type meters which calculate in imperial units while central meters at the Boards are metric, a discrepancy that leads to inaccurate billing. Some users who are eligible for cheaper tariffs continue to be billed at higher rates.

With privatisation of electricity and gas the situation has become more complicated since charges have become negotiable. Tariff analyst consultancies see themselves as the equivalent of tax consultants which can tell the users how to use the rules to their best advantage.

**Laura Blair**

Common sense is often as rewarding as high technology

# Battery hens that provide their own power

CHICKEN manure is not the most glamorous of fuels, but burning it to provide warmth for the poultry that produced it saves a Gloucester farmer up to £42,000 a year.

The litter is burnt in a conventional coal-type boiler which was modified by Thermo Engineers, a company from the duck country of Aylesbury. The left-over ash retains its nutrients and is sold to fertiliser makers.

Cheaper heat has enabled the farmer to increase ventilation which improves the quality of his chickens.

While new technology, especially microelectronics, might play a crucial role in improving energy efficiency in industry, the chicken farmer's experience – promoted by the UK's department of energy – shows that good ideas and effective management are important too.

Energy represents, after wages, industry's largest manageable cost. It can account for 15 per cent of production costs, according to Dr Glenn Brookes, executive director of the Energy Systems Trade Association (ESTA). He says up to 10 per cent of industry's energy costs can be saved merely by training, motivation and making someone responsible for energy management.

New technologies, or improvements made to existing energy plants, can bring substantial savings. "Many of these investments will yield rates of return of 50 per cent or more," he says.

Dr Brookes's enthusiasm is natural. He represents 80 companies that provide energy-efficiency products and services, from consultancy through to advanced boiler controls and monitoring equipment for electricity, gas and oil.

But his arguments are not entirely biased. There is clear evidence, provided by the UK government's Energy Efficiency Office, that energy conservation is relatively easy to achieve. The necessary capital costs can be paid back reasonably quickly in fuel savings alone. Environmental benefits are an added bonus.

For example, Rotherham Engineering Steels has shown that an oxygen trim control on its steel reheating furnace provided energy savings worth £65,000 a year. Costs were paid back within six months.

Similarly, Peugeot Talbot in Coventry, working with PA Consulting and Infra Rouge Systems of France, replaced its gas-fired refinishing oven with a computer controlled infrared stoving oven. This saved energy and increased the speed at which vehicles could be processed. Total savings are £332,000 a year, of which energy savings contribute £93,000 a year. The investment of £272,000 was paid back within 10 months.

Yorkshire Brick Company of Barnsley modified its tunnel kiln to improve the distribution of hot air and to give better cooling controls. Output

### Whizz-bang technology is not necessary

was increased by 34 per cent while fuel consumption was reduced by a quarter. The capital cost was £265,000 and the savings were worth £243,000, giving a payback period of just over a year.

These government-subsidised initiatives are designed to show some of the more sceptical parts of industry that talk of energy efficiency is not a load of hot air. Of course, many leading companies realise that energy efficiency is integral to controlling costs and, more important in the greener 1990s, necessary for their environmental performance. Glaxo, the UK-based pharmaceuticals company, has emphasised energy efficiency in its buildings.

An electronic control system fitted nearly 10 years ago in its Barnard Castle factory saved £20,000 a year in fuel simply by automating on/off switching of heat and light. This system, supplied by Trend Control, has been progressively improved and now controls most of the heating, cooling and air-quality.

Lucas Ingredients, a food processor in Cambridge, modified its spray drier to use its hot exhaust gases to pre-heat the air entering the drier. The modifications, supplied by Osprey, saves some 340 kilowatts of energy and reduces fuel consumption. The capital investment was paid back within two years. Dryers consume up to 12 per cent of energy in industry, according to the SPS Dryer Advisory Service based at Harwell laboratories.

Last month, Hoover signed a £14m energy-management contract for its factory in Wales. Emstar, a Shell UK subsidiary, will modernise the factory's energy systems and predicts an operating cost saving of £100,000 a year.

Emstar's plans for the Hoover factory demonstrate how the improvement of equipment combined with better monitoring and analysis of the collected data can produce significant savings. Whizz-bang technology is not necessary.

Hoover's old centralised boiler plant will be replaced with 13 low-pressure hot-water boilers. Radiant heating will be installed to keep workers warm in the main factory areas. Gas-fired warm-air systems will be set up for the enclosed areas. Lighting circuits are to be replaced and a control system installed so that, for example, all lights in the factory will be automatically switched off when workers go home.

The technology is new but not revolutionary. Advances in electronics, however, have given energy managers much greater flexibility and reduced, in some instances, the capital costs of changing existing systems.

In IBM's Greenock, Scotland, plant the office buildings were consuming too much electricity because there was little control on the lighting. A quote to rewire the buildings, adding simple time controls, came to £47,400. This did not give IBM an acceptable payback.

A year later another quote to do the same job came in at £31,500. This time, instead of physically rewiring the building, the switching controls were separated from the mains. This made the modifications less disruptive and cheaper. IBM's investment was paid back in under two years.

Military research is also helping conserve energy. It is possible to take a photograph of a building with a special camera that detects heat loss.

It is possible, for example, to take an aerial picture of a building and use it to determine the quality of insulation and to pinpoint heat loss.

The infra-red sensor in the camera converts the different levels of heat that escape from a building into an electrical signal. This signal is converted into a computer-type photograph which is interpreted by specialists.

Although advances in technology will certainly ensure further improvements in energy efficiency, the emphasis still remains on effective management and the appropriate costing of energy.

### A stroke of the pen was all that was needed

Last month, for example, British Gas reviewed its cost structures for medium-sized users. Its former price schedule made it cheaper for some businesses to buy more gas than they needed. Excess gas was burnt off in what became known as the "flame of shame".

After considerable pressure from companies such as Olives Paper Mill in Lancashire, which makes recycled paper and trades on its environmentally-friendly image, British Gas, which also promotes itself as a green company, changed its pricing policy.

The flame of shame, which Olives refused to burn, was extinguished in other parts of the country. A simple stroke of the pen, not clever technology, was all that was needed for less waste and greater efficiency.

**Peter Knight**

Most energy wastage occurs in the home, writes **Peter Knight**

# Black mark for white goods

THE LAST cup of tea might have been delicious but it probably contributed to global warming and acid rain. The power station – that burnt the coal that produced the electricity that heated the kettle – belched pollutants into the air to boil the water.

The good news in Britain is that you can feel just a little less guilty than your, say, French counterparts. You used a jug-type electric kettle – a reasonably efficient gadget – while they boiled their water in an inefficient pan.

For this is the complicated and sometimes paradoxical world of domestic appliances where the cheapest gadgets can cost more to run, and the more expensive much less.

Twenty-one per cent of the UK's electricity is used to drive household goods. The figure includes fridges, freezers, cookers, home laundry, lighting, television and dishwashers, but excludes space and water heating.

That consumption is the equivalent of 11m tonnes of carbon pumped into the atmosphere, according to a recent report prepared for the Department of Energy.

Just keeping those fish fingers frozen and drinking a few cups of tea while watching television is nearly as environmentally naughty, it seems, as chopping down the rain forests.

There are plans to make us more efficient at consuming electricity in the home. The EC has firm proposals (described on the opposite page) to improve the energy efficiency of domestic appliances. And the UK Government has proposed a voluntary energy-labelling scheme to help customers make more prudent choices when buying a new appliance.

At a recent meeting between manufacturers and civil servants most people were keen to start the scheme as soon as possible. One trade association, however, requested much more time, a plea it also used to obstruct a similar initiative in 1979.

There are rudimentary energy-labelling schemes in Germany, France, Denmark, Brazil and the US. The schemes do not cover all domestic appliances and are not considered effective. The basic energy consumption figures on which these schemes are based is available to UK shoppers, but in small print and in a format that is difficult to understand.

The labelling scheme proposed in the Government's recent white paper on the environment will make energy information more accessible to shoppers.

The Government also wants to establish minimum standards for energy efficiency in domestic appliances. It remains to be seen how low these standards will be because the UK, unlike some of its more determined neighbours, wants customers to retain their freedom to choose how much energy they waste.

According to figures prepared by March Consultants for the government, the waste is quite considerable. For example, if all existing domestic appliances in the UK were replaced with the most efficient models available, electricity use in households would be cut by up to 45 per cent.

A 60 per cent saving could be achieved if improved products, now under development, were used. This would benefit the environment and cut £1.5bn off electricity bills.

But there are many barriers to prevent such savings. First, consumers are largely unaware of the relative efficiencies of household products. And the potential savings of buying efficient (and usually more expensive) products are often not great enough to discourage choosing the cheapest.

This means that any energy-labelling scheme will have to be backed by a clever and effective publicity campaign to explain the benefits of efficiency. Such campaigns have not been effective in the past.

"If the budget is big enough I think it would be possible to make the campaign work. But it would cost too much to do it by advertising alone. You will have to provide other incentives," says Mr Ray Gluckman of March Consultants.

Second, the benefits could be enhanced by making electricity more expensive by taxing it. This will increase the savings and it will then make more sense to choose efficient rather than cheap products.

Third, minimum standards for efficiency could be high. This will force manufacturers to produce the desired products.

All three possibilities demand hefty government intervention. It is just not in the interests of manufacturers or the electricity supply industry to promote energy efficiency. And consumers are, on the whole, blissfully ignorant of the potential benefits.

The UK government, unless it is pressed by the EC, seems hesitant to push for anything other than voluntary agreements. The cost of a cup of tea, for both the drinker and the environment, seem unlikely to drop in the near future.

Energy Efficiency in Domestic Electric Appliances. HMSO £24.



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**Walter Patterson** on the boiler revolution

# In the firing line

COAL is the most abundant fossil fuel, widely available from many suppliers at advantageous prices. But when burnt it releases sulphur and nitrogen oxides – precursors of acid rain – and carbon dioxide, responsible for perhaps 50 per cent of the "greenhouse effect" of global warming. Making coal-use at once cleaner and more efficient poses a challenge both to engineering and to energy policy.

Traditional pulverised-fuel power stations can be "backfitted" with cumbersome "flue-gas desulphurisation" (FGD) plants to reduce sulphur emissions. Several hundred FGD plants are already installed and operating. FGD, however, lowers the fuel efficiency of a coal-fired station, from perhaps 36 per cent to 33 per cent. The sulphur emitted per unit of electricity decreases; but the carbon dioxide emitted increases.

Recent technical innovations, however, can cut sulphur and nitrogen emissions from burning coal while actually increasing overall efficiency, and thereby simultaneously cutting carbon dioxide emissions. Two concepts in particular are taking the lead: "fluidised-bed combustion" (FBC) and "gasification".

In FBC, coal or other fuel is injected into a turbulent bed of incandescent solid particles kept in motion by airflow from below. FBC operates at a temperature low enough to minimise formation of nitrogen oxides. If ground limestone is injected with the fuel, the calcium in the limestone reacts with the sulphur to form solid calcium sulphate that remains with the solid waste. With suitable fuel-handling gear, an FBC unit can burn not only any coal but also a wide range of other combustible materials, including peat, wood, refuse and even pit spoil. This flexibility allows users to burn the most economical fuel available, and to switch readily from one to another as conditions change.

The attractions of FBC have prompted many of the world's major engineering companies to develop a rapidly expanding catalogue of designs. Within the past decade companies such as Asea Brown Boveri (ABB), Ahlstrom, Deutsche Babcock, Foster Wheeler, Lurgi and many others have won orders for well over 300 FBC units worldwide – industrial boilers and furnaces, cogeneration plants and a growing number of utility units specifically for electricity generation.

As a combustion technology, FBC is no more efficient than traditional pulverised-fuel firing. But its ability to control noxious emissions, coupled with its suitability for units of 100-400 Megawatts of heat output, makes it particularly attractive for high-efficiency applications such as cogeneration of electricity and heat, when the heat has to be delivered to the immediate neighbourhood.

In contrast to the traditional dirty and unsightly image of a coal-fired plant, modern FBC units are often built in city centres, meeting not only the most stringent emission standards but also other local planning constraints. The pressurised FBC units built by ABB at the Vaertan cogeneration plant, for instance, are burning coal in the heart of Stockholm. The Duisburg FBC cogeneration plant built by Lurgi is burning coal right next door to Duisburg town hall. The Roemerbruecke FBC cogeneration plant built by Deutsche Babcock in urban Saarbruecken is the latest in a series of advanced coal-fired plants to win Power magazine's Environmental Protection Award.

FBC, nevertheless, faces increasing competition from another innovative combustion technology: gasification. Fuel gas from coal has been familiar for two centuries. But modern gasifiers have increased efficiency and throughput far beyond that of the old "town gas" plants, while meeting the most demanding environmental standards. Major companies now active in coal gasification include Shell, Texaco, Dow, Lurgi, Rheinbraun, Tampella-Keeler and Krupp-Koppers, among others.

Modern gasifiers produce fuel gas of moderate calorific value. Although this gas is not of pipeline quality, it can be burned directly in a gas turbine-generator; the hot exhaust from the gas turbine and heat from the gasifier can raise steam for a steam turbine-generator, boosting the overall efficiency of electricity generation well above 40 per cent. The concept is called "integrated gasification combined cycles" – IGCC.

Demonstration IGCC stations using various designs of gasifier have been operating since the mid-1980s, with very encouraging results. The first commercial-scale plant, based on the Shell gasifier, is now under construction at Buggenum, in The Netherlands. Due to start up in 1993, the Buggenum unit will deliver 285 megawatts of electricity. If it succeeds, the Dutch electricity association, SEP, intends to proceed to a 600MW unit near Rotterdam.

FBC and gasification can even be combined in a single plant, to increase flexibility and further enhance efficiency. Lurgi has built a 100MW FBC plant for Berlin Power and Light. But a proposition now under discussion would add a gasifier and gas turbine – a so-called "topping cycle". The gasifier would supply fuel gas to the gas turbine; the FBC unit would burn the solid residue from the gasifier; and all the various heat sources would raise steam for the steam turbine, boosting the plant's maximum capacity to 180MW and its efficiency well over 40 per cent.

Some questions still remain. Trapping sulphur in FBC requires large quantities of limestone or other "sorbent" whose quarrying and transport has significant environmental impact. Although the solid waste from FBC appears essentially innocuous, the amount may present disposal problems. Some research, notably in Canada, indicates that sulphated FBC waste may be useful building material. Depending on the gasifier design, waste from IGCC may give rise to similar issues, although some gasifiers produce a fused granular aggregate that has been certified harmless and may be used, for instance, for roadways.

While the advanced coal technologies have made great strides elsewhere, in Britain they have yet to make their mark. But their proponents continue to believe that Britain, too, will benefit from better use of its most abundant fossil fuel.

*(Walter C. Patterson's new report,* Coal-use Technology in a Changing Environment, *can be obtained from Financial Times Business Information, 50-64 Broadway, London SW1H 0DB, telephone (071) 799 2002.)*

Combined Heat and Power

# Popularity at last

COMBINED heat and power – whereby both are generated from a single source – is being taken seriously at last. The government's white paper on the environment published in September pledged to double the UK's combined heat and power (CHP) capacity to 4,000 megaWatts by the year 2000.

CHP isn't new – it has been around for the best part of the century – but changes both in the way it is marketed, and the energy demands of customers have made it more attractive than ever before.

That is obvious from the number of large energy consumers building CHP plants, and the number of large energy suppliers moving into the CHP contracting business.

CHP systems, which range from large on-site industrial plants to small boiler-size units in hotels, are energy-efficient, convenient and cheap, because they generate both electricity and heat (or steam) in a process that recaptures waste heat.

Co-generation, as CHP is also known, can increase the overall efficiency of fuel utilisation to around 70-90 per cent, compared with around 30-35 per cent in conventional power stations and plants can be up to 90 per cent efficient, compared with 30-35 per cent at a conventional power station. Small units thus supply customers with cheaper electricity, as well as competitive heating – most boilers are less efficient than CHP units.

Savings can be considerable. And because they can cut carbon dioxide emissions by over 70 per cent below the national average, co-generation systems are relatively environmentally friendly. UK carbon dioxide emissions could fall by 15 per cent, the government estimates, if CHP capacity reaches 30,000MW by 2020.

A Department of Energy report (based on 1988 research) shows CHP representing around 3 per cent of the UK's total 60,000MW electricity capacity.

Of that 2,000MW around 1,900MW was large on-site industrial plants, and only 100MW was units used to supply either urban districts or individual buildings with heat.

The report expects another 650MW of new CHP capacity in existing and new industrial plants, 350MW for district heating schemes and buildings, and another 1,000MW or so for large CHP schemes based on combined-cycle gas turbine technology proposed by companies such as Shell, ICI, and Mobil for on-site generation.

But CHP could grow far faster. In its report to the Inter-Governmental Panel on Climate Change, the Department estimated that, given government support, there was no reason why CHP could not theoretically supply 30,000MW by the year 2020 – between 25 and 50 per cent of the UK's expected total electricity by that time.

Demand for small units, suitable for installing in buildings like hotels or hospitals that need continuous power, heating and hot water for the best part of 24 hours, is particularly strong: CHP is less attractive for buildings that only need power in office hours.

CHP does have drawbacks for small users: it provides a constant base load but will typically need to be topped up by a boiler system at peak times, and that can be uneconomical.

At the time of the Department's study, there were almost no small units in use: now the Department has identified 4,000 sites that could realistically use CHP, bringing the total to 320MW. Phillips & Drew's more ambitious estimates stand at 3,500MW or 7 per cent of UK demand.

One of the reasons why this market is so attractive has been the recent emergence of "packaged" CHP, an idea conceived by Combined Power Systems, or CPS, a leading player in small scale CHP.

The attraction of packaged CHP is that the company does everything: installs, maintains, and owns the unit: the customer simply pays a bill like a conventional electricity bill, although he does have the option of buying the unit, too. Units, which typically cost £20-30,000, are remotely monitored and need no attention from the customer.

Expected savings, says CPS, can be up to 50 per cent of equivalent energy costs, and because of low maintenance costs the payback period for a unit can be as short as two years.

Major players are also entering the CHP field, either as suppliers and marketers, like CPS, or as contractors who help finance, instal and manage a tailor-made system for an industrial customer. Again, customers can buy the unit in instalments spread over time in their bill from the contractor, or they can simply pay a fee for its use.

"Companies are tending to contract out more," says Mr David Green of the Combined Heat and Power Association (CHPA), "and they are doing more to save energy."

Electricity privatisation, finally, has had a considerable impact on the future of CHP. "It has encouraged fresh thinking about alternative ways of using electricity in the industry," says Mr Green.

There are, however, still obstacles to the growth of the CHP market. There has been little international recognition of its potential, and the European Commission in particular has failed to put any real pressure on European nations to consider CHP.

"The European Commission always talks very positively about CHP," says Mr Green. But, "what they have done is limited to research and development. In terms of financial incentives or specific measures, they haven't done anything."

**Juliet Sychrava**

NATURAL GAS

# North Sea challenger

A BATTLE is underway between the suppliers of natural gas and electricity, the two dominant energy sources in the UK. Each seeks increased sales, while encouraging users in industry, commerce and the home to take measures to conserve the amount of energy they consume and so reduce sales.

To meet the challenge from electricity, British Gas has turned to the environmentally friendly features of gas.

Environmental considerations lay in some of the projects that won gas energy management awards under a scheme promoted by British Gas.

VSEL, the UK's only submarine builder, currently building Trident nuclear deterrent submarines, won the space heating and hot water award. The VSEL scheme to modernise and improve the efficiency of the heating at its Barrow-in-Furness shipyard involved the replacement of central boilers with gas equipment installed at the point of use. VSEL will ultimately save 2.1m therms a year, as a result of the installation of a decentralised heating system, a saving of energy of more than 40 per cent on the previous centralised space and hot water heating system.

The previous system was based on five central oil-fired boiler houses supplying steam to buildings on the 187 acre shipyard site. British Gas recommended a diversified heating system with gas fired heaters in individual buildings. Up to 1,000 individual heaters in more than 100 buildings at VSEL will be installed over the five years of the project.

The heating systems and controls will be tailor-made to the needs of each building, so radiant heating was chosen for the foundry and a warm air system for the machine shops, where a steady ambient temperature is necessary for the machining of expensive metals to very close tolerances.

In the steel industry, large savings in energy consumption have been achieved by Rotherham Engineering Steels, part of United Engineering Steels, through a change from ingot to continuous casting technology. The steel blooms, weighing up to 10 tonnes, from the continuous caster, are fed to two new furnaces operated by natural gas, which reheat the steel blooms prior to rolling.

The change from ingot to continuous casting incorporating the gas furnaces has reduced the energy consumption at the plant by 33 per cent.

On a smaller scale, one of the most successful examples of the conversion of an inefficient heating system into a high efficiency heat and power system has been completed at the Magnum Leisure Centre, Irvine, Scotland. Six years ago, 245,000 therms a year were needed to heat the centre and its swimming pool and cool the ice rink. British Gas carried out an energy audit and recommended a system that would combine the production of its own electricity with enough heat for its own requirements.

This is a combined heat and power (CHP) plant. Three 90KW gas engine driven electricity generators were installed. The electricity powers the compressors and pumps of the ice rink chilling system, while heat is recovered from the engine and used to warm the the swimming pool water and for space heating in the centre.

The change to a CHP system to meet the needs for electricity and heat saved £40,000 a year in total running costs. The annual consumption of energy has fallen by 26 per cent.

Another example of improved efficiency in the consumption of natural gas arising from the use of CHP is the large system installed at Allied Colloids, in Bradford.

The company makes chemicals for agriculture, paper making and oil production. Its operations involve substantial requirements for electricity and on-site generated steam.

To improve efficiency, the company installed a 6MW natural gas powered turbine and a boiler to use the waste heat from the turbine in an operation which increases the efficiency of electricity and steam generation. The cost savings were originally estimated at £750,000 a year, with a payback of capital in three and a half years.

In operation, the combined heat and power system has been shown to have an efficiency of 92 per cent.

**Lynton McLain**

# RECRUITMENT

## JOBS: Trends suggest that US and UK employers react to recession in very different ways

# Outlook brightens for executive demand

By Michael Dixon

THANKS for your thoughts on what is happening in the sales and marketing trade. While they have not cleared up the mystery entirely, at least the Jobs column is now confused at a better informed level.

When I asked the question a fortnight ago my prime concern was the United Kingdom where advertised demand for marketing and sales recruits has plummeted. For the benefit of anyone who was not in the congregation two weeks back, I had better repeat the figures which come from the MSL International consultancy's counts of higher-ranked posts advertised in UK national journals.

In Britain's last recession nine years ago – or, to be precise, over the 12 months to September 30 1981 – the tally of executive jobs of all kinds was 17,886. Of that total, 3,543 or 19.8 per cent were for sales and marketing specialists.

In the 12 months to September 30 this year, the total was far higher at 28,796. But the number in marketing and sales was down to 2,840 or a mere 9.9 per cent.

The drop struck me as too steep to be fully explained by the present recession. So I asked if readers had evidence of structural change in the way selling and marketing are done. For example, is the trend to fewer and bigger companies with central buying functions reducing the need for sales people? Are traditional representatives being replaced by backroom staff at computer screens?

Judging by the 27 replies so far, some structural change is afoot not only in the UK but in continental Europe besides America. Demand is being cut both by central bulk-buying and by decreases in the number of suppliers. And although computer-based handling of customer contacts is not in much evidence outside finance, another factor has been spotted by the Northern Business Information consultancy of New York.

Among other things, it keeps watch on the worldwide telecommunications industry where it has noted an international vogue for "delayering", or excising whole wodges of middle managers. It adds that the surgery is being done in two main ways.

The first is by early retirements, at heavy cost. The other is to move "thousands of people" from behind-the-lines management to marketing and sales, cutting demand for new recruits. The consultancy thinks the same may be happening in other industries to boot.

Nevertheless most of the replies claim that such structural changes are having far less effect than employers' reactions to recession, which three readers say differ markedly between the UK and the United States.

One of the trio, also in New York, is Englishman David Werner who besides running an executive-placement company keeps count of job-openings for higher rankers in America. He finds that while overall recruitment has plunged in the US too, there has been a rise in demand for sellers of certain types. They are "results now" merchants, as opposed to longer-run marketing staff, engaged to pay for their hire within three months or go.

"It reflects the entrepreneurial spirit of American bosses whose instinct is to sell themselves out of trouble," Mr Werner says. British employers' response is typically the bureaucratic one of saving costs.

Even if so, however, the outlook has now brightened a bit. A finely detailed review of the UK figures shows that in 1981, the main reason for the high share of total job-openings going to marketing and sales people was that demand for them was already rising ahead of recruitment of other staff.

Moreover, although their share was only 9.9 per cent across the 12 months to September 30 this year, a quarter-by-quarter analysis shows it has been edging up. From 8 per cent in October-December 1989, it went to 9.7 in January-March, 9.9 in the next three months, and to 11.6 per cent in July-September.

So, with David Werner reporting that total US demand has now turned off the bottom, we may well be in for a happier new year than I had feared.

### Graduates' work

NOW to the table alongside which outlines the activities taken up by the 1989 crop of bachelor-level graduates from British universities, polytechnics and colleges, together with comparative figures for their predecessors in 1988.

The first five columns of figures cover the entire output of degree-winners, whatever the subject they studied.

The next two sets of three columns apiece refer to those who took pure sciences, and those in engineering and technology of various sorts. Both sets exclude people who combined a science or technology subject with a topic in the arts or social studies.

As may be seen, the table throws up a problem for pundits who maintain that Britain does not produce enough graduates for its economic good. The biggest group in both years were those who had simply disappeared from their Alma Mater's ken by December 31 of the year in which they took their degree. The second biggest were those who at the same date were either in no more than a short-term job, not available for paid work, or unemployed.

| Where new degree-winners went | GRADUATES IN ALL SUBJECTS 1989 number | % of total | 1988 no. | % of total | Change + or – | Pure sciences 1989 no. | % 89 | % 88 | Technology 1989 no | % 89 | % 88 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total gaining bachelor's degrees | 121,949 | 100.0 | 119,917 | 100.0 | +2,032 | 20,809 | 100.0 | 100.0 | 18,784 | 100.0 | 100.0 |
| Whereabouts unknown at Dec 31 | 16,361 | 13.4 | 14,615 | 12.2 | +1,746 | 2,196 | 10.6 | 10.0 | 2,168 | 11.5 | 9.8 |
| Returned or moved overseas | 8,286 | 6.8 | 8,088 | 6.8 | +198 | 915 | 4.4 | 4.4 | 2,159 | 11.5 | 12.3 |
| Further academic study in UK | 9,172 | 7.5 | 8,912 | 7.4 | +260 | 3,704 | 17.8 | 15.9 | 1,129 | 6.0 | 6.4 |
| Teacher-training | 3,841 | 3.1 | 4,010 | 3.3 | –169 | 729 | 3.5 | 3.9 | 71 | 0.4 | 0.5 |
| Other training (including legal) | 8,128 | 6.7 | 8,129 | 6.8 | –1 | 530 | 2.5 | 2.9 | 492 | 2.6 | 1.9 |
| Administrative & managerial work | 5,521 | 4.5 | 5,801 | 4.8 | –280 | 686 | 3.3 | 3.9 | 688 | 3.7 | 3.9 |
| Research, design & development | 9,528 | 7.8 | 9,477 | 7.9 | +51 | 2,133 | 10.3 | 9.1 | 5,152 | 27.4 | 28.4 |
| Engineering & science support | 1,255 | 1.0 | 1,314 | 1.1 | –59 | 533 | 2.6 | 2.9 | 461 | 2.5 | 2.2 |
| Environmental planning | 3,876 | 3.2 | 3,637 | 3.0 | +239 | 135 | 0.6 | 0.5 | 3,107 | 16.5 | 16.4 |
| Buying, marketing and selling | 4,956 | 4.1 | 5,391 | 4.5 | –435 | 645 | 3.1 | 3.6 | 272 | 1.4 | 2.0 |
| Management services | 4,675 | 3.8 | 4,605 | 3.8 | +70 | 2,707 | 13.0 | 10.9 | 714 | 3.8 | 4.2 |
| Financial work | 9,133 | 7.5 | 9,538 | 8.0 | –405 | 1,642 | 7.9 | 8.0 | 476 | 2.5 | 3.9 |
| Information & legal work | 1,528 | 1.3 | 1,464 | 1.2 | +64 | 103 | 0.5 | 0.7 | 32 | 0.2 | 0.2 |
| Personnel & welfare services | 9,833 | 8.1 | 9,815 | 8.2 | +18 | 525 | 2.5 | 6.8 | 313 | 1.7 | 0.6 |
| Teaching and lecturing | 5,680 | 4.7 | 5,841 | 4.9 | –161 | 387 | 1.9 | 0.5 | 29 | 0.2 | 0.1 |
| Other kinds of work | 4,629 | 3.8 | 4,815 | 4.0 | –186 | 524 | 2.5 | 2.9 | 257 | 1.4 | 1.5 |
| At best short-term UK job | 15,547 | 12.7 | 14,465 | 12.1 | +1,082 | 2,715 | 13.0 | 13.1 | 1,264 | 6.7 | 5.7 |

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Dresdner Bank Luxembourg S.A.
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P.O. Box 355
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Tel.: (352) 4760-1

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*Interested applicants should forward their curriculum vitae to Sue Randall, Senior Personnel Officer, CREDIT LYONNAIS, 84–94 Queen Victoria Street, London EC4P 4LX. Tel. 071-634 8000.*

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ACCOUNTANCY COLUMN

# Mission to keep contestants out of judges' beds

By David Waller

MR AUSTIN MITCHELL, Labour MP for Great Grimsby, fell off his bike 10 days ago. Until recently, he had a bandaged forehead, a black eye, cut hands and damaged knees. Hobbling around Westminster in black corduroy trousers, pink shirt, denim jacket and a fluorescent tie sporting a naked lady, Mr Mitchell was a frightening sight.

He looked like a bogeyman, and for the UK's respectable accountancy profession, that is what he had become long before he had his accident. His very name is enough to stir anger in the hearts of normally mild-mannered accountants. In the households of accountants, it is likely that mothers tell their naughty children to be good, or else Austin Mitchell will come to get them.

In the past, Mr Mitchell has had a go at other professions – estate agents and solicitors, for example – but now he has got the UK's tens of thousands of accountants in his sights. There have been 150 parliamentary questions so far on accountants in this session of parliament, and there will be dozens more. Mr Mitchell has written articles, made speeches and harassed ministers.

The profession has never been the subject of so much unwelcome attention, and the worry is that the attention may intensify if the Labour party wins the next election. A band of accounting academics has drawn up proposals for a root-and-branch reform of the way accountants are regulated and the way companies present their accounts. Those are being considered by the opposition front bench, while Mr Mitchell, a former junior frontbench spokesman himself, stirs things up.

Among the recommendations are that: auditors of public companies should be rotated; accountancy firms should provide financial information about themselves; the provision of non-audit services (such as management consultancy) to audit clients should be curtailed; and the profession should be regulated by a statutory body akin to the Office of Telecommunications (Oftel), which monitors the telecommunications industry.

Those proposals are anathema to accountants who treasure the right to regulate themselves and who have derived considerable commercial advantage throughout the 1980s from their statutory monopoly over auditing. They have enjoyed the right to sell consultancy services to audit clients and they have traditionally been secretive about their finances. Mr Mitchell has identified all the profession's sensitive spots and is keen to wield the scalpel.

"The profession is incapable of defining and enforcing its own standards in the auditing field," he says. "The firms are too dependent on their clients. They are constantly going into beauty contests to get new business. The problem with beauty contestants is that they often go to bed with the judges."

Mr Mitchell is the man solicitors have to blame for the abolition of their monopoly over conveyancing. His private member's bill – the Housebuyers Bill – was introduced in the autumn of 1983 and subsequently taken up by the government in February 1984. By contrast, the challenge to the accountancy profession seems in a less populist vein and Mr Mitchell agrees that it is hardly a vote-winner.

"Accountancy is not the stuff of manifestos," he acknowledges. "They're not going to be coming up to me on the streets of Grimsby saying: Austin, Austin, you're going to sort out the accountants, I'll vote for you."

He says his campaign developed less as a result of political calculation than by accident. Nevertheless, it coincides with a growing sense of disquiet in the commercial world about the role of auditors. The economy has lurched into recession and there have been several large corporate failures, including Coloroll and British & Commonwealth. In many cases, abuse of accounting standards – and by implication, lax auditing – have contributed to the failures.


Austin Mitchell: "Firms too dependent on clients"

Mr Mitchell believes that the debate about auditors will intensify as recession deepens and more failures ensue. The barrage of parliamentary questions and articles will appear all the more salient and – he hopes – the government all the more embarrassed about its non-interventionist stance on the regulation of the accountants and auditors.

How do the accountants react? The senior partner of one of the big firms could not conceal his enthusiasm for a man who had brought wit and humour to the most arid of disciplines. Mr Mitchell had been "brilliant" in a debate hosted by the Government Accountancy Service a few weeks ago.

Another senior partner, Mr Brandon Gough of Coopers & Lybrand Deloitte, says the profession has nothing to be ashamed about. "The big firms have made a massive contribution to accounting and auditing. We invest millions in trying to do things better. We have ploughed enormous resources into professional activity and we can be proud of our contribution."

Mr Michael Lickiss, president of the Institute of Chartered Accountants in England and Wales, recently defended the way the profession has responded to the challenges of the past decade. "It's not too surprising in a recession that some of the 500,000-plus UK companies which get audited go bust, and equally unsurprising that people lash out in every direction afterwards. The biggest problem is not the way the accountancy profession is structured, but people's expectations.

"Our own rules on independence are far tougher than any statute would be under a Labour government."

He says that the new system of regulation of auditors – which comes into force next year under the Companies Act 1989 – should be given a chance. He also draws comfort from the restructuring of the process whereby auditing standards are set. The Auditing Practices Committee, the body that sets the standards, is to be replaced with an Auditing Practices Board, it was announced last week. Members of the board will be drawn, Dearing-style, from industry as well as the profession.

"I hope that what I'm doing will force the accountancy profession to take an intelligent look at itself," Mr Mitchell says. "Professions in competitive, open societies need to be constantly upgrading their standards and scrutinising themselves. That is good for society."

ACCOUNTANCY APPOINTMENTS

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A qualified accountant, you are likely to be aged over 35 with several years' of senior financial management experience preferably gained within a multinational company. A good knowledge of accounting in foreign countries and a high degree of commercial and communication skills are essential.

Please send full personal and career details, including current remuneration level, in confidence to Christopher Haworth, Coopers & Lybrand Deloitte Executive Resourcing Limited, 76 Shoe Lane, London EC4A 3JB, quoting reference CH773 on both envelope and letter.

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**THE QUALIFICATIONS**

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# FINANCIAL CONTROLLER

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The company, funded by Biotechnology Investments Ltd, is to embark on a phase of significant expansion. Based in an attractive rural location, the position offers an exciting opportunity for an individual seeking to capitalise on their existing commercial experience.
Reporting to the Managing Director, the Financial Controller will assume responsibility for the financial management of the company. This "hands on" role will involve day-to-day control of accounting information which will include the preparation of both financial and management accounts. In addition, an element of liaison with outside investors and financial institutions can be anticipated.
Candidate requirements are clear: a qualified accountant aged to 32 with a proven track record in commerce and an ability to assume Director status in the medium term. Exposure to the healthcare or software industries would prove advantageous but not prerequisite.
*Interested candidates should contact **Chris Herrmannsen** or **Jennifer Ogden** on **071-629 4463** (day) or **081-749 1426** (eves/weekends), or send an appropriate curriculum vitae to the address below, quoting reference CH359.*

HARRISON WILLIS
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# Chief Accountant

Our client is part of one of the country's biggest organisations. A major group of finance companies in its own right, its product range is wide, its performance to date impressive, and its development plans aggressive.

It now needs a Chief Accountant who will control a small department, report to the Financial Controller, and be responsible for the preparation against tight deadlines of the monthly management and financial accounts and the statutory accounts for the five companies concerned, together with necessary consolidations and returns. Preparation and control of accurate and computerised base data will be important.

Computer familiar, the person we seek will be a mature and well qualified Chartered Accountant who will relish the fast-changing environment. Appropriate experience will have been gained in both the profession and commerce, but previous experience in the finance industry, whilst helpful, is not vital.

This is a post for an ambitious, tactful, able performer who will readily recognise the career development opportunities the post offers.

**Speed is of the essence in this appointment, and letters of application, together with CV, salary progression and any other relevant data, should be sent without delay to the Managing Director, Performance Management Limited, 8th Floor, Peter House, St. Peter's Square, Manchester, M1 5BH, quoting reference P172.**

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Our client, a Big 6 accountancy firm, is looking for a suitable candidate to assume responsibility as audit senior which includes the control of a large multinational assignment.

The successful candidate will possess very strong technical skills on accounting and other matters, including a strong working knowledge of differences between UK and US GAAP. Experience and knowledge of reporting accountants' skills and investigation skills together with the ability to write high quality reports are essential.

He or she must also possess the motivational skills necessary to mould large numbers of internal staff into an efficient working unit. The candidate will be responsible for dealing directly with highly competent client staff and must be able to successfully put his/her view across.

A good degree, with first time passes at all professional examinations and experience with a Big 6 firm, is essential.

The candidate must also have had a minimum of two years' PQE and experience of dealing with major clients, especially in the marketing services sector. An exceptional level of commitment to complete tasks within extremely short time spans will be required.

In return, we can offer a competitive working environment and comparable remuneration with prospects of early promotion to manager for the right individual.

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# Senior Corporate Accountant

Following extensive restructuring, this major nationwide service organisation with a multi-billion pound turnover, is continuing its programme of substantial commercial development. This is a key role at the centre of this emerging group, ideally suited to a young chartered accountant seeking a first move from the profession.

As a member of the small group finance team, your responsibilities will include the production of monthly consolidated financial statements and statutory accounts. In addition, you will be expected to make a major contribution to the review and development of accounting policies and procedures throughout the Group.

A Chartered Accountant, probably aged around 28, your career to date is likely to have been within a 'big five' firm. You must be fully conversant with the consolidation and reporting requirements of major plcs and possess sound expertise in the use of PC spreadsheets. To ensure success in this role candidates should demonstrate a flexible approach and the ability to work within a small, highly committed central team. This is a high profile role and therefore future career prospects within the Group are excellent.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Ann Shepherd, Coopers & Lybrand Deloitte Executive Resourcing Ltd, 76 Shoe Lane, London EC4A 3JB, quoting reference AS774 on both envelope and letter.

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# FINANCIAL CONTROLLER

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It has now been decided to appoint a Financial Controller who will provide high level assistance to the Financial Director. The role will cover all aspects of the company's business including responsibility for the preparation of statutory financial statements for all Group companies, managing and directing the accounting staff, ensuring full legal and regulatory compliance and preparing reports for both external and internal consumption.

The role is designed for a young chartered accountant with several years' commercial or professional experience at management level who will be capable of growing into a more senior role in due course. Apart from being a highly capable man manager and supervisor, it will be vital to demonstrate highly developed ability to analyse and disseminate information. A sympathetic style to facilitate advice-giving and strong communication skills are essential.

If you are interested in this position, please reply in confidence, providing a CV, present remuneration, day and home contact numbers quoting reference number F4215 to Carey Wright (Mrs) at the address below.

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Key responsibilities will include:

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- ensuring the group is adequately financed both to meet agreed targets and to enable planned growth to prosper
- monitoring individual unit's borrowing facilities
- lead and train a specialised central treasury team
- undertake international travel to maintain bank relationships and group contacts as well as to assess financing requirements for certain major projects

The position would suit a professional from an established multinational treasury team. The role commands an outstanding salary and benefits package which will be tailored to suit the successful candidate's demands. Knowledge of Italian in addition to English would be an advantage though not essential.

Interested applicants should telephone Richard Parnell today on 071-437 0464 (fax 071-437 0597) or write to him, enclosing brief details at the address below.

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RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 071-437 0464 Fax: 071-437 0597

# Assistant to the Financial Controller

**City to £30,000 + benefits**

This is an exceptional opportunity to join a major investment institution whose growing business requires the recruitment of an additional Chartered Accountant.

The successful candidate will be expected to take responsibility for the financial integrity of the accounting records, preparation of monthly accounts, performance analysis and budgets.

We are seeking a flexible person, preferably a graduate, who is familiar with PC based accounting packages and is capable of taking on considerable responsibility. Experience of investment accounting an advantage.

If you feel that you can match this challenge, please send your career details to Marilyn Davidson at the following address: Broadway Chambers, 14-26 Hammersmith Broadway, London W6 7AF.

Independent Recruiters
081-741 9595

# SENIOR SYSTEMS CONSULTANTS

London

£35,000
(negotiable) + Car
+ Exceptional Benefits

This independent management consultancy has since its inception six years ago, established a reputation second to none for the quality and professionalism of its work. Their prestigious blue chip client base has benefited from their strategic and operational input.

The growth record of the group has been truly outstanding. Turnover has increased in excess of 900% over this period whilst profit before tax has increased 562%. The company faces the future with confidence. So much so that a new office has been established in response to demands from new and existing clients.

This project driven role will be varied and challenging. Responsibilities will be all encompassing and will include initiating, implementing and reviewing sophisticated accounting systems. Close client contact is actively encouraged after systems have been installed.

Candidates will be qualified accountants with familiarity of existing IBM hardware specifically AS400's. Personal attributes will include strong communication skills, the ability to grasp client requirements together with proven leadership and delegation skills. Clearly the successful individuals will need to work autonomously and to tight deadlines.

*Candidates should contact **Jonathan Jones** or **Jon Vonk** on **071-629 4463** (evenings/weekends **081-464 0927**) quoting reference JJ293.*

HARRISON WILLIS
FINANCIAL RECRUITMENT CONSULTANTS
Cardinal House, 39-40 Albemarle St., London W1X 3FD. Tel: 071-629 4463
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**ACCOUNTANT**
part/qual., expd. up to F/A, ideally with re-ins. exp. and kn. of French. Salary to 18.000 + exc. benefits, incl. profit-share Contact: Bea, Ecco Multilingual 071 287 9617

# GROUP ACCOUNTANT

**West London To £35k + Car + Benefits**

Halcrow is a major group of international Civil Engineering Consultants with an enviable record of growth and participation in prestigious projects around the world.

As a result of internal promotion, we now wish to appoint a Group Accountant to manage and supervise a central finance department of 12 and assume responsibility for the:

- Preparation of statutory accounts and consolidated group accounts.
- Preparation of quarterly management accounts and reports.
- Assisting the Group Financial Controller at year end and in budget/target setting and review.
- Treasury management, FX, cash-flow forecasting and banking arrangements.

Routine enough you might say, but the real challenge of this appointment lies in the opportunity it affords to apply your experience in enhancing and improving existing reporting systems and financial controls.

You will need to be a qualified Accountant, familiar with micro computer and spreadsheet packages and with previous experience of motivating and managing others.

Career prospects are excellent and supported by a salary and benefits package that you would expect from a highly successful international company. Additionally you will benefit from a commitment to individual professional development through our Group Training Programme which provides management training via in-house and external courses to advance your career.

**Please write with full CV to Peter Jackson, Sir William Halcrow & Partners Limited, Vineyard House, 44 Brook Green, Hammersmith, London W6 7BY.**

HALCROW

## DONCASTER ROYAL INFIRMARY/MONTAGU HOSPITAL TRUST

## DIRECTOR OF FINANCE

Doncaster Royal Infirmary and Montagu Hospital have received approval from the Secretary of State for Health to form an NHS Hospital Trust which will commence trading on the 1st April 1991.

The two hospitals currently provide services for 40,000 in-patients and over 100,000 out-patients per year. The Trust will employ in excess of 3,000 staff to provide the full range of acute health services from up-to-date and modernised premises in Doncaster and Mexborough and is currently one of the most cost effective NHS Hospitals in the UK. Turnover for the Trust is projected as £54 million for the year to March 1992.

In addition to its role as health care provider the Trust provides clinical and operational support services to other health care organisations within the Doncaster area.

The Trust is now seeking to strengthen its management team through the appointment of a Director of Finance. Reporting to the Chief Executive he or she will have executive responsibility for all aspects of financial management in the new hospital group and will play a key role in the business development.

We are seeking an individual who is a well qualified professional accountant and has the necessary drive and initiative to lead the Finance function. We are seeking someone with a proven track record in a senior position in either the public or private sector.

Remuneration is negotiable circa £40,000 per annum plus a lease car.

Informal enquiries welcomed by Chris Bryant, Chairman (tel: 0302 321621) or David Nicholson, Chief Executive Designate (tel: 0302 366666, ext. 601).

Information package available from Personnel Department, tel: 0302 366666, ext. 673.

To apply please write with full CV to Joe Brayford, Director of Personnel Services, Doncaster Royal Infirmary, Armthorpe Road, Doncaster DN2 5LT. Closing date for applications 7th January 1991.

**Appointments Advertising**
appears every

**Wednesday, Thursday and Friday**
(International Edition only)

For further information please call:

Jennifer Hudson
071-873 3607

Richard Jones
071-873 3460

Denise Morrice
071-873 3199